SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, ~~1964~~ 1965

No. ~~602~~ 13

WALKER PROCESS EQUIPMENT, INC.,
PETITIONER,

vs.

FOOD MACHINERY AND
CHEMICAL CORPORATION.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

INDEX

RECORD PRESS, PRINTERS, NEW YORK, N. Y., FEBRUARY 11, 1965

[fol. A] [File endorsement omitted]

IN THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

No. 14466

FOOD MACHINERY AND CHEMICAL CORPORATION,
Plaintiff-Appellee,

vs.

WALKER PROCESS EQUIPMENT, INC.,
Defendant-Appellant.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

Honorable Edwin A. Robson, District Judge.

Appendix to Appellant's Brief—Filed March 26, 1964

[fol. 1]

IN THE UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF ILLINOIS

EASTERN DIVISION

Civil Action No. 60 C 1007

FOOD MACHINERY AND CHEMICAL CORPORATION, Plaintiff,

v.

WALKER PROCESS EQUIPMENT, INC., Defendant.

STATEMENT PURSUANT TO RULE 12(c) OF THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT—January 7, 1964

1. This suit was commenced on June 24, 1960.

2. The plaintiff is Food Machinery and Chemical Corporation, a Delaware corporation. The defendant is Walker Process Equipment, Inc., a corporation of the State of Illinois.

3. The following pleadings have been filed in this action:

(a) Complaint filed June 24, 1960.

(b) Answer and Counterclaim filed July 15, 1960.

(c) Reply to Counterclaim filed February 2, 1961.

(d) Amended Counterclaim filed February 20, 1963.

(e) Second Amended Counterclaim filed June 5, 1963.

4. There has been no arrests made, bail taken or property attached.

[fol. 2] 5. On October 3, 1963, the Honorable Edwin A. Robson entered an order granting plaintiff's motion to dismiss defendant's Second Amended Counterclaim, and dismissing said action without leave to amend and with prejudice.

6. Notice of Appeal from said final order was filed by defendant on October 31, 1963.

Respectfully submitted,

Louis Robertson, Darbo, Robertson & Vandenburgh, P. O. Box 67, 15 North State Road, Arlington Heights, Illinois.

John W. Hofeldt, Haight, Simmons & Hofeldt, 141 West Jackson Boulevard, Chicago 4, Illinois.

January 7, 1964.

[fol. 3]

IN THE UNITED STATES DISTRICT COURT

Civil Action No. 60 C 1007

COMPLAINT—Filed June 24, 1960

Plaintiff, Food Machinery and Chemical Corporation, complains of the defendant as follows:

1. Plaintiff, Food Machinery and Chemical Corporation, is a corporation of the State of Delaware, and operates a division, originally known as Chicago Pump Company and presently known as Chicago Pump, Hydrodynamics Division, having its principal office and place of business in Chicago, Illinois.

2. Defendant, Walker Process Equipment, Inc., is a corporation of the State of Illinois, having its principal office and place of business in Aurora, Illinois.

3. The jurisdiction of this court is based on the patent laws of the United States of America.

4. On September 7, 1943, the United States Letters Patent No. 2,328,655 were duly issued in the name of William H. Lannert for an invention in a sewage treatment system. Plaintiff is the owner of the entire right, title and interest in said Letters Patent No. 2,328,655.

5. Defendant has infringed said Patent No. 2,328,655 by making and selling air diffusion units especially adapted for use in sewage tanks designed for an aeration type of sewage treatment and defendant has also actively induced the infringement of said Patent No. 2,328,655 by the City [fol. 4] of Houston, Texas, and perhaps others whose names are not presently known to plaintiff.

6. Defendant was notified with respect to infringement of plaintiff's Patent No. 2,328,655, but defendant nevertheless has wilfully and deliberately proceeded to infringe plaintiff's said Patent No. 2,328,655 as aforementioned.

7. Plaintiff has suffered damage by reason of the aforesaid infringement of defendant.

Wherefore plaintiff prays

1. For an injunction restraining the defendant, its officers, agents, servants and employees from infringing upon the said Letters Patent.

2. For an accounting of damages.

3. For its proper costs and expenses and reasonable attorneys' fees.

4. For such other and further relief as the court may deem just.

Max Dressler, R. Howard Goldsmith, James W. [fol. 5] Clement, Attorneys for Plaintiff, 1825 Prudential Plaza, Chicago 1, Illinois, Telephone: WHitehall 4-4025.

Schneider, Dressler, Goldsmith & Clement, 1825 Prudential Plaza, Chicago, Illinois, Of Counsel.

Sept. 7, 1943. W. H. LANNERT 2,328,655

SEWAGE TREATMENT SYSTEM

Filed Feb. 2, 1942 2 Sheets-Sheet 1

Fig. 1.

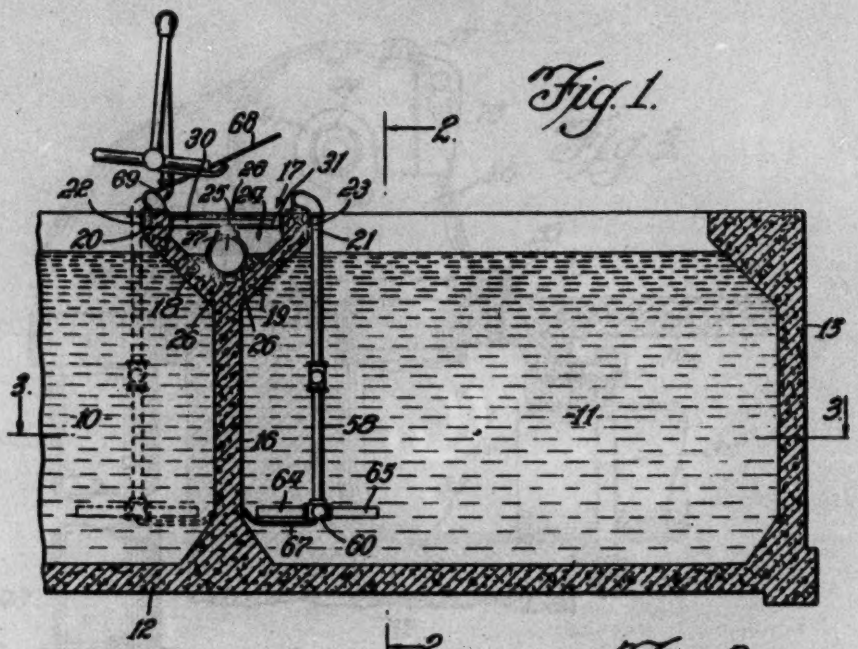


Fig. 2.

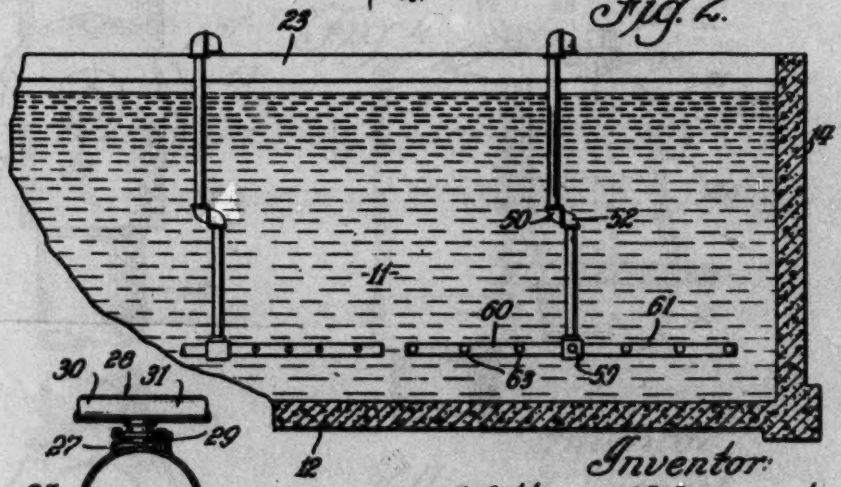


Fig. 5.

Inventor:
William H. Lannert
By: Benjamin Schwartz Atty.

[fol. 6]

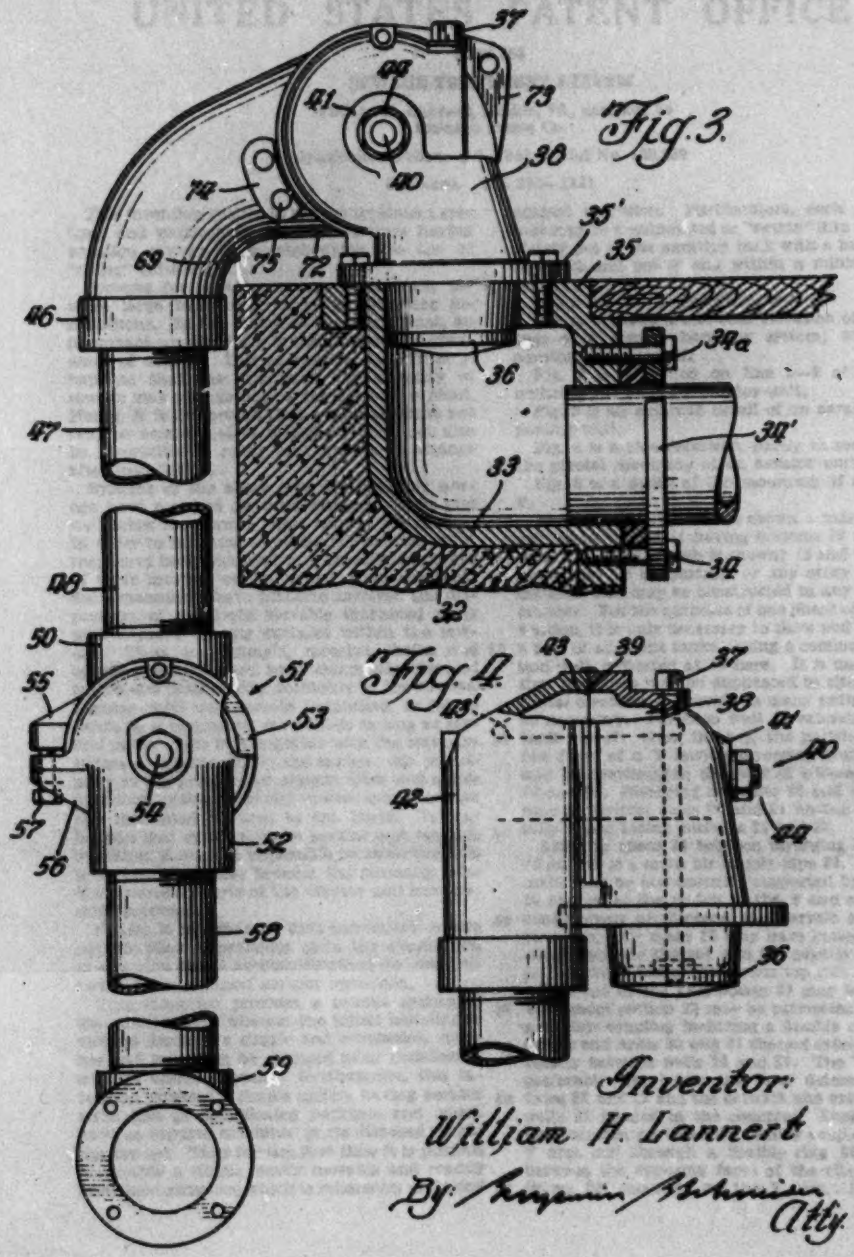
IN UNITED STATES DISTRICT COURT

W. H. Lannert, Patent in Suit No. 2,328,655

Sept. 7, 1943. **W. H. LANNERT** **2,328,655**

SEWAGE TREATMENT SYSTEM

Filed Feb. 2, 1942 2 Sheets-Sheet 2



Inventor:
William H. Lannert
By: Benjamin Schmeiser
Atty.

[fol. 7]

Patented Sept. 7, 1943 2,328,655

UNITED STATES PATENT OFFICE

2,328,655

SEWAGE TREATMENT SYSTEM

William H. Lannert, Skokie, Ill., assignor to Chicago Pump Co.

Application February 2, 1942, Serial No. 429,330

6 Claims. (Cl. 261—122)

This invention relates to sewage treatment systems and particularly to those systems having aeration sewage tanks embodying the use of "swing" diffusers.

Systems for aerating sewage customarily involve large tanks and extensive plumbing installations. In the design of a sewage plant, an important consideration is the amount and character of sewage. Due to varying conditions, it happens that the character and quantity of sewage may change during the life of the plant. Hence, it is important that a sewage plant not only be economical to install initially, but also be susceptible to ready and economical change after installation.

Systems of the above type for handling sewage have aerators disposed inside of tanks and well below the normal liquid level of the sewage. In order to facilitate servicing the aerator units, they have been mounted in a manner to permit of their removal or "swinging" from the tank. Such mountings have hitherto involved the disposition of relatively movable machined parts with exposed bearing surfaces within the sewage. Thus, for example, sprocket chains and sprocket wheels have been commonly disposed within the tank readily accessible to the sewage. Aerator units may remain untouched, as far as servicing is concerned, for periods as long as several years. This fact, together with the corrosive nature of liquids within the sewage, due principally to the presence of organic acids and active oxidation, makes it wholly undesirable to expose any machined surfaces to the liquid. It may happen that by the time an aerator unit requires servicing, it may be impossible to move the unit in a normal manner because the normally relatively movable parts of the aerator unit have become corroded.

Hence, it is apparent that infrequent service periods place a premium upon the elimination of any part of the aerator structure not used directly during normal aerator operation.

This invention provides a sewage system of the aeration type wherein the initial installation may be made in a simple and economical manner and may even be changed after installation without undue expense. Furthermore, this invention provides a simple system having aerator units free of complicated packings and which have no exposed machined parts disposed within the sewage. Thus for the first time it is possible to provide a simple, easily movable and readily assembled structure which is inherently protected against corrosion. Furthermore, each aerator unit may be manipulated or "swung" into or completely out of the aeration tank with a minimum of effort and power and within a minimum of space.

Referring now to the drawings:

Figure 1 shows a sectional elevation of a portion of a sewage handling system; with one aerator unit elevated;

Fig. 2 is a section on line 2—2 of Fig. 1; omitting the elevated aerator unit;

Fig. 3 is an enlarged detail of an aerator supporting unit;

Fig. 4 is a side elevation, partly in section, of the pivotal mounting of an aerator unit; and

Fig. 5 is a detail of the mounting of a feeder T.

In the drawings, there is shown a pair of sewage tanks 10 and 11 having bottoms 12 and end walls (only one of each is shown) 13 and 14. The tanks may be of concrete or any other suitable material and may be constructed in any suitable manner. For the purposes of one phase of this invention, it is only necessary to show and describe a pair of adjacent tanks having a common partition wall, indicated at 15 here. It is understood that the tanks may be duplicated in either horizontal direction to provide as many units as may be necessary. Partition wall 15 extends toward tank top 17. Near the top, the partition takes the form of a Y having diverging branches 18 and 19, overhanging the ends of adjacent tanks 10 and 11. Diverging branches 18 and 19 terminate in vertical walls 20 and 21 having horizontally alined facing surfaces 22 and 23.

Lying in space 24 between diverging branches 18 and 19 is a main air supply pipe 25. This air main may be conveniently supported by saddles 26 formed at the crotch of the Y and extending continuously or disposed at intervals along the partition. Air main 25 may have bosses 27 cast along one side thereof and the pipe is installed so that these bosses are on the top side thereof.

Any one of the cast bosses 27 may be drilled. A T feeder section 28 may be connected through a flexible coupling including a flexible ring 29 to a boss and arms 30 and 31 thereof extend transversely between walls 20 and 21. The T section preferably lies below the level determined by faces 22 and 23 and the catwalk and extends into wells 32 formed in the concrete. Each well 32 may contain an elbow 33 flexibly coupled to the T arm and through a flexible ring 34 gripped between the opposing faces of the elbow and a flange 34' mounted on the T arm. Bolts 34a

[Fol. 8]

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slidable in flange 34' are threaded into elbow 33. Elbow 33 has a base plate 35 to which is bolted a stanchion 36'. Stanchion 36' is hollow and has a valve 36 formed in the base thereof for controlling the flow of air. The valve may be made in any desired manner, and its position may be controlled by a bolt 37 extending upwardly and outwardly from the body of the stanchion. Stanchion 36 has a hollow head 38 having a general bell-shape and provided with a machined annular surface 39 lying in a vertical plane normal to the general plane of common partition 16. The entire stanchion may be a casting of iron or other metal.

Perpendicular to and symmetrical with annular surface 39 is a pivot pin 40 journalled in a boss 41. Carried by pin 40 is an elbow 42 having a machined annular surface 43 in sealing engagement with surface 39. Pivot bolt 40 may engage elbow 42 in any suitable fashion to maintain the same tightly in position against cooperating face 39 of the stanchion. As shown here, elbow 42 has a boss 43' cast in the hollow thereof and this boss is machined and threaded to accommodate the threaded end of pin 40. Nuts 44 on the outer end of pin 40 may maintain the assembly intact. Elbow 42 thus has communication with the air main and is adapted to supply air to an aerator unit. Elbow 42 may have a tapped end 46 into which is threaded a pipe section 47. The bottom end 48 of pipe section 47 is threaded into elbow 50 of an elbow joint 51. Elbows 50 and 52 forming joint 51 have cooperating sealing surfaces 53.

The joint is maintained in assembled relation by a pivot pin 54 threaded into elbow 50 and extending through elbow body 52 to the outside. The pivot pin may be drilled for pressure lubrication and preferably sufficient grease is disposed on all relatively movable surfaces to thoroughly seal against ingress of water. Normally the greased surfaces as well as the air pressure will keep all bearing surfaces sealed from sewage. Lugs 55 and 56 may be provided on elbows 50 and 52, respectively. Lug 55 may be tapped and stop bolt 57 threaded therein to cooperate with lug 56 to limit the swing of the two elbows forming the joint.

The air conduit continues beyond joint 51 in the form of a pipe section 58 extending from elbow 52 and carrying a T coupling 59 at the extreme end. The two pivot pins 40 and 54 and the line of the T 59 are normally parallel. T 59 may have bolted thereto manifolds 60 and 61 normally extending parallel to and spaced a short distance from the adjacent tank wall. These manifolds may have openings therein at spaced intervals along the length thereof, the openings preferably being alined along the median horizontal plane of the manifold in the normal depending position of the aerator unit.

Air diffusers 62 may extend from the manifold openings. These diffusers may be of any suitable material, such as porous ceramic or any solid impermeable material suitably foraminated to permit a general diffusion of air. The size and contour of individual diffusers and proximity between adjacent diffusers may be determined in a manner well-known to the art. The diffusers may be uniformly or non-uniformly disposed on the manifolds as desired. In general, the diffusers extend from the manifolds along horizontal lines normal to the manifolds both toward and away from the adjacent tank wall. Thus, as shown, a series 64 of diffusers extend toward the adjacent tank wall, here partition 16, and a series 65 of diffusers extend away therefrom.

Since air diffusers are generally mechanically weak, it is preferred to provide bumper guards 67 extending from T 59 toward the adjacent tank wall. The length of guards 67 may be adjusted to permit an aerator unit to swing to its predetermined position and stop.

The relative lengths of pipe sections 47 and 58 is unimportant, within limits. It is preferred, however, to proportion the various parts of an aerator unit so that when a unit is elevated or "swung" from the tank, as seen in Fig. 1 for example, the air diffusers clear the stanchion. In fact, the lengths of the pipe sections may be such that a workman may readily contact the air diffusers in their up position.

For raising an aerator unit, any suitable means may be provided. A cable 68 engaging the crook 69 of elbow 42 for elevating is merely illustrative.

Frequently, it is necessary to retain a unit in elevated position during extended servicing or for maintaining an aerator out of service. It is undesirable to engage a hoist under such circumstances. To provide such an anchoring position for the aerator unit, lugs 73 and 74 may be formed on the stanchion and elbow respectively. These lugs are so positioned that in the raised position of the unit the apertures therein register. In order to provide for some flexibility, one lug, here 74, may have an additional aperture 75 adapted to register with the aperture in lug 73 in a different raised aerator position. Any number of such positions may be selected. A pin may be passed through the registering lug apertures and will retain the aerator unit in predetermined elevated position independently of any hoist. It is understood that the air supply is shut off by the valve in the stanchion base during periods of aerator non-use.

It is evident from the foregoing that the initial installation of the plumbing is greatly simplified by the presence of an air main and the use of T's extending directly into the wells. The addition or elimination of feeder T's is simple. By virtue of the flexible couplings both at the T center and ends, substantial misalignment as well as difference in expansion and contraction between concrete and metal may be tolerated. The disposition of the air main in the V of the wall makes drainage around the pipe simple and makes the piping open and readily accessible. Thus, the number and disposition of aerator feeders may be changed at any time. By having overhanging branches of the wall V, the normal depending aerator position is secured by mere hanging from the stanchion pivot. During elevation, the jack-knife action of the two pipe sections greatly reduces the elevating effort and at the same time, brings the air diffusers within reach of an operator on the catwalk. Since the air diffusers are generally the only parts of a unit requiring service, it is important that they be readily accessible.

The number of machined bearing surfaces has been reduced to a minimum and none are exposed to sewage liquids. The manufacture, assembly and replacement of the various parts has been reduced to the simplest and most economical steps while greatly enhancing the efficiency and useful life thereof.

I claim:

1. In an aeration type of sewage treating apparatus, at least one sewage tank, said tank having a side wall with a top portion of said wall

[Col. 9]

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overhanging said tank, a hollow stanchion anchored in said overhanging portion of said wall, an air pipe section pivotally mounted on said stanchion for movement in a vertical plane generally normal to said wall, said pipe section having air communication with the hollow interior of said stanchion, a second pipe section jointedly carried by the free end of said first pipe section, said second pipe section being normally pivotally movable in a vertical plane generally parallel to the plane of movement of said first pipe section, an air diffuser unit carried by the free end of said second pipe section, and means for moving said first pipe section on its pivot so that said two pipe sections may depend into the tank in one position or may be folded in a jack-knife fashion up and out of the tank and over the wall in a raised position.

2. In an aeration type of sewage treating apparatus, at least two sewage tanks having a partition wall therebetween, said wall extending toward the tank tops and having diverging wall branches to form a general Y section, each Y branch overhanging the adjacent tank, a bridging section extending between the free ends of said Y branches to form a generally horizontal walk, an air main nested in said Y and extending along said partition wall, feeder T's below said walk extending from said air main, the T's having sections going to the Y branches on opposite sides of said air main, stanchions anchored in said Y sections, said stanchions being hollow and communicating with said T's and an aerator unit pivotally mounted on each stanchion, said units being disposed in tandem across the partition wall.

3. In an aeration type of sewage treating apparatus, a sewage tank including a tank wall, two jointed air pipe sections normally extending vertically within the tank, an air diffuser unit carried at the free end of the lower of said sections, and means for pivotally mounting the free end of the upper section adjacent the upper edge of said wall and outside of any normal level of the sewage liquid, said pivotal mounting permitting said jointed air pipe sections to hang down into the tank with the air diffuser unit being disposed in said sewage at a predetermined point below the normal liquid level thereof, the diffuser carrying pipe section being adapted to hang vertically at all times when the other pipe section is elevated or dropped, and means for turning said upper pipe section on said pivotal mounting to raise said air diffuser unit up and out of the tank and over the wall thereof or lower the same into the tank.

4. The aeration sewage apparatus of claim 3 wherein means are provided for retaining the jointed pipe sections in a fixed elevated position over said tank wall and within easy reach thereof.

5. In an aeration type of sewage treating apparatus, a sewage tank including a tank wall, a pair of jointed air pipe sections normally extending vertically within the tank, an air diffuser unit carried by the lower of said pipe sections at the free end thereof, means for pivotally mounting the free end of the upper pipe section adjacent the upper edge of said wall and outside of said tank, the joint between said sections being such that said lower pipe section tends to hang vertically in all positions of said upper pipe section, and means for turning said upper pipe section on said pivotal mounting to raise said air diffuser unit up and out of the tank and over the wall thereof or lower the same into the tank.

6. In an aeration type of sewage treating apparatus, at least two tanks having a partition wall in common, said partition wall extending toward the tank tops and having diverging branches to form a general Y section with each Y branch overhanging the adjacent tanks, an air main nested in said Y and extending along said partition wall, feeders extending from said air main to said Y branches, a hollow stanchion anchored in a Y branch for each air feeder pipe, and an aerator unit for each hollow stanchion normally extending vertically within the tank, said unit consisting of a pipe pivotally mounted on said stanchion, a second pipe jointedly secured to the pivotally mounted pipe and an air diffuser carried by said second pipe, the joint between said pipes being such that said second pipe tends to hang vertically in all positions of said pivotally mounted pipe, and means for turning said pivotally mounted pipe to raise the said air diffuser up and out of the tank and over the said wall or lower the same into the tank.

WILLIAM H. LANNERT.

IN THE UNITED STATES DISTRICT COURT

Civil Action No. 60 C 1007

AFFIDAVIT IDENTIFYING PATENT COPY

I, Evelyn V. Shellberg, hereby take oath that the attached printed copy of Lannert patent in suit, No. 2,328,655, is a copy obtained from the United States Patent Office as an officially printed copy of said patent.

Evelyn V. Shellberg.

State of Illinois,
County of Cook, ss.:

Subscribed and sworn to before me this 6th day of September, 1962.

Louis Robertson, Notary Public.

(Seal)

[fol. 10]

[fol. 11]

IN UNITED STATES DISTRICT COURT

Civil Action No. 60 C 1007

ANSWER AND COUNTERCLAIM FOR DECLARATORY JUDGMENT—Filed July 15, 1960

Defendant, Walker Process Equipment, Inc., answers the Complaint, referring first to the numbered paragraphs thereof, as follows:

1. Defendant, Walker Process Equipment, Inc., admits paragraph 1 of the Complaint.

2. Defendant, Walker Process Equipment, Inc., admits paragraph 2.

3. Defendant, Walker Process Equipment, Inc., admits paragraph 3.

4. Defendant, Walker Process Equipment, Inc., admits the issuance of the patent in suit as stated in paragraph 4, except "duly" which characterization is denied, and for lack of knowledge denies the remainder (2nd sentence) of the paragraph.

5. Defendant, Walker Process Equipment, Inc., denies the allegations of paragraph 5.

6. Defendant, Walker Process Equipment, Inc., denies the allegations of paragraph 6.

7. Defendant, Walker Process Equipment, Inc., denies the allegations of paragraph 7.

Affirmative Defenses

8. Defendant, Walker Process Equipment, Inc., asserts that the patent in suit is invalid in view of the prior art listed in attached Schedule A.

9. Defendant, Walker Process Equipment, Inc., asserts that the patent in suit is invalid especially as to its broader claims for failure to define adequately an inventive concept, if any is disclosed.

10. Defendant, Walker Process Equipment, Inc., asserts that the patent in suit is invalid because its claims define a mere aggregation or exhausted combination.

11. Defendant, Walker Process Equipment, Inc., asserts that the patent in suit is unenforceable because Plaintiff comes to court with unclean hands with respect to the patent in suit and is therefore not entitled to relief. Defendant, Walker Process Equipment, Inc., asserts that this also constitutes violation of the anti-trust laws.

12. The Defendant has at no time knowingly made or sold parts especially adapted for use in an aeration type of sewage treatment, but has only sold parts that constitute staple articles or commodities of commerce, and such parts as sold were for the single installation of Houston where use is and will remain experimental until after the patent expires, such use as a matter of law not constituting infringement.

[fol. 12]

Counterclaim for Declaratory Judgment

13. Plaintiff has submitted itself to the venue of this court and established a controversy under the patent laws by filing this complaint.

14. Paragraphs 8 to 12 of the foregoing Answer are adopted herein by reference as part of the counterclaim.

Prayer for Relief

Wherefore, Defendant, Walker Process Equipment, Inc., prays:

For a declaratory judgment that the patent in suit is invalid and/or is not infringed.

For an award of costs and reasonable attorneys fees herein.

For an award of treble damages.

Walker Process Equipment, Inc., By its attorneys: Louis Robertson, Jones, Darbo & Robertson, 20 North Wacker Drive, Chicago 6, Illinois.

Of Counsel:

Frank J. Belline, Jones, Darbo & Robertson, 20 North Wacker Drive, Chicago 6, Illinois.

[fol. 13] Acknowledgment of Service (omitted in printing).

SCHEDULE A TO ANSWER AND COUNTERCLAIM FOR DECLARATORY JUDGMENT

Nordell	U.S. Patent 2,144,385
Banko	U.S. Patent 1,894,390
Borge	U.S. Patent 2,218,635

Folding piping for filling fuel trucks, of common knowledge, of which examples will be cited when known

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IN UNITED STATES DISTRICT COURT

PLAINTIFF'S ANSWERS TO DEFENDANT'S INTERROGATORIES —Filed February 2, 1961

Interrogatory No. 1

When did Lannert first investigate gas or air supply piping for extending downwardly into a tank and having two pivoted joints connected by riding pipe, a first joint near the top and a second spaced between the first and the bottom to permit a folding of the piping and raising it from the tank (hereafter called "such piping")?

Answer:

Sometime prior to January 6, 1940.

* * * * * * *

Interrogatory No. 3

State the date and location of each installation of one or more such pipings, or if not installed the construction thereof, beginning with the first known to [fol. 14] Plaintiff or with which Lannert had any connection, and continuing thereafter to include the second such installation of public nature.

Answer:

The first completed installation was at the Hunter Air Force Base, Savannah, Georgia, which installation was completed on or about February 28, 1941. The second completed installation was at Camp Shelby, Hattiesburg, Mississippi, sometime after May 8, 1941.

Interrogatory No. 4

As to each such installation or construction designated in response to Interrogatory 3:

A. State the first dates of (1) commencing construction of such piping, (2) shipping such piping, (3) testing such piping, and (4) useful functioning of such piping.

Answer:

4A (1) Sometime after November 5, 1940 and prior to February 19, 1941.

(2) Between December 6, 1940 and February 19, 1941.

(3) On or about February 28, 1941.

(4) On or about February 28, 1941.

* * * * * * *

Interrogatory No. 6

When and where was the first advertising for bids for such piping or installations including such piping?

Answer:

The first advertising for bids was sometime prior to October 23, 1940. Plaintiff does not know at this time whether the first advertising was for the Hunter Air Force Base or for Camp Shelby.

* * * * * * *

[fol. 15] Interrogatory No. 10

Was Lannert an employee of Chicago Pump at the time of the invention and assignment and is he now, and is he a managing agent of Plaintiff?

Answer:

Mr. Lannert was an employee of Chicago Pump at the time of the invention and assignment. Mr. Lannert is no longer employed by Plaintiff and never was a managing agent of either Plaintiff or its predecessor during the term of his employment.

IN THE UNITED STATES DISTRICT COURT

Civil Action No. 60 C 1007

REPLY TO COUNTERCLAIM—Filed February 2, 1961

Plaintiff, Food Machinery and Chemical Corporation, replies to the counterclaim of defendant, Walker Process Equipment, Inc., as follows:

13. Plaintiff admits the allegations of paragraph 13 of the counterclaim.

14. Plaintiff replies to paragraphs 8-12, inclusive of the answer, incorporated by reference in paragraph 14 of the counterclaim as follows:

Plaintiff denies the allegations of paragraphs 8-12, inclusive.

Wherefore, Plaintiff prays that the counterclaim of defendant, Walker Process Equipment, Inc., be dismissed

and that Plaintiff be awarded the relief which it seeks in its complaint filed herein.

Max Dressler, R. Howard Goldsmith, James W. [fol. 16] Clement, Attorneys For Plaintiff, 1825 Prudential Plaza, Chicago 1, Illinois, Telephone: WHitehall 4-4025.

Certificate of Service (omitted in printing).

IN THE UNITED STATES DISTRICT COURT

Civil Action No. 60-C-1007

PLAINTIFF'S INTERROGATORY TO DEFENDANT—
Filed October 19, 1961

Plaintiff, Food Machinery and Chemical Corporation, requests that defendant, Walker Process Equipment, Inc., answer the following interrogatory in accordance with the Federal Rules of Civil Procedure:

1. State the factual basis for the assertions made in the letter from Mr. Robertson to Mr. Dressler under date of December 18, 1956, copy attached. In answering this interrogatory, the question is asked both with respect to "extensive public use by the owner of the patent" and [fol. 17] "the question of fraud" referred to in said letter. Defendant is also requested to identify all documents upon which the assertions in said letter are based and to state who has custody of said documents, and where they may be available for plaintiff's examination.

R. Howard Goldsmith, Schneider, Dressler, Goldsmith & Clement, Attorneys for Plaintiff.

Certificate of Service (omitted in printing).

ATTACHMENT TO PLAINTIFF'S INTERROGATORY TO DEFENDANT

(Letterhead of Jones, Darbo & Robertson)

(Received Dec 19 1956—Schneider, Dressler & Goldsmith)

December 18, 1956

Mr. Max Dressler
Schneider, Dressler & Goldsmith
Suite 1825
Prudential Plaza
Chicago 1, Illinois

Dear Mr. Dressler:

Re: Lannert Patent 2,328,655

Walker Process Equipment, Inc. has informed us that the subject matter of the above patent was in extensive [fol. 18] public use by the owner of the patent, your client, more than a year prior to the application filing date. You are invited, if you so desire, to check into this and let me know if we are erroneously informed, and any facts you may care to tell us bearing on the question of fraud.

Unless we are given, within two weeks, adequate reason to doubt the correctness of our information, we will assume it is correct.

Yours very truly,

/s/ LOUIS ROBERTSON
for Jones, Darbo & Robertson

LR/nm

IN THE UNITED STATES DISTRICT COURT

Civil Action No. 60-C-1007

ANSWER TO PLAINTIFF'S INTERROGATORY 1—
Filed November 6, 1961

Interrogatory 1, the only one filed so far, reads as follows:

"1. State the factual basis for the assertions made in the letter from Mr. Robertson to Mr. Dressler under date of December 18, 1956, copy attached. In answering this interrogatory, the question is asked both with respect to "extensive public use by the owner of the patent" and "the question of fraud" referred to in said letter. Defendant is also requested to identify all documents upon which the assertions in said letter are based and to state who has custody of said documents, and where they may be available for plaintiff's examination."

Answer:

Defendant has no actual knowledge comprising the basis of assertions of extensive public use by the owner of the [fol. 19] patent or of the related question of fraud in filing an oath denying such public use.

A. W. Nelson, Office: Vice President.

State of Illinois,
County of Kane, ss.:

Subscribed and sworn to before me this 26th day of October, 1961.

Helen M. McGeachy, Notary Public.

IN THE UNITED STATES DISTRICT COURT

Civil Action No. 60 C 1007

DEFENDANT'S REQUEST FOR ADMISSIONS OF FACT—
Filed January 30, 1962

Under Rule 36, Defendant hereby requests Plaintiff, within ten days after service of this request, to make the

following admissions (to admit the truth of the following statements) for the purpose of this action only, and subject to all pertinent objections to admissibility which may be interposed at the trial. Plaintiff is reminded of the final sentence of Rule 36 (a) requiring specifying so much as is true if a part must be denied.

1. Admissions Exhibits 1 to 6 attached hereto are true copies of papers retained in regular course of business in Plaintiff's files, Exhibits 2 to 6 having been received or written by Plaintiff soon within a few days of the dates therein (except that "Jan. 20, 1940" should be "Jan. 20, 1941") and the Shop order Exhibit 1 having been written and issued by Plaintiff about Nov. 5, 1940. (Reference to Plaintiff here and throughout includes Plaintiff's predecessors in business).

[fol. 20] 2. All of said exhibits relate to swing diffuser equipment according to the patent in suit, including piping carrying diffusers at the bottom and, pivoted to an air supply connection at the upper end and having a pivoted knee intermediate the ends.

3. The swing diffuser equipment of the patent in suit was installed and operating usefully in an aeration tank for sewage treatment accessible to persons unrestricted as to divulging details thereof, as early as Jan. 22, 1941.

4. The swing diffuser equipment of the patent in suit was sold and delivered and installed in aeration tanks by Jan. 1, 1941.

5. The sale of swing diffuser equipment referred to in Statement 4 was an outright sale at a full commercial price.

6. Another set of swing diffuser equipment according to the patent in suit was ordered for another installation, Camp Shelby, prior to Oct. 23, 1940 as shown by Shop Order 58055 written on or about that date.

7. The swing diffusers of Statement 6 were shipped on or about the week of Nov. 11, 1940.

8. The papers from which said Exhibits 1 to 6 were copied were in files in the files of Plaintiff's attorney when he prepared "Plaintiff's Answers to Defendant's Interrogatories" sworn to by Milton Spiegel the 1st day of Feb. 1961.

9. Milton Spiegel, when signing the paper of Statement 8* knew that Answers to Interrogatory 4A (1) were evasive and that nonevasive answers would have admitted unequivocally dates earlier than Feb. 2, 1941, the date one year before the filing date of the application for the patent in suit.

10. Plaintiff's attorney, in preparing the answers of Statement 8* knew that answers to Interrogatory 4A (1) [fol. 21] were evasive and that nonevasive answers would have admitted unequivocally dates earlier than Feb. 2, 1941, the date one year before the filing date of the application for the patent in suit.

11. Plaintiff did not inform the Patent Office of the sale, installation or use of swing diffuser equipment referred to in Exhibits 1 to 6, and filed the usual oath denying public use or sale more than a year before the filing of the application.

12. Plaintiff's counsel, after a request for more specific answers to the interrogatories replied in a letter of June 15, 1961, of which Exhibit 7 is a true copy, ignoring the crossed out additions.

13. Defendant's counsel selected the originals of Exhibits 1 to 6 for copying and so indicated to Plaintiff's counsel on or about December 15, 1961, but in spite of reminders, copies were not sent to Defendant's counsel until January 23, 1962.

Louis Robertson, Darbo, Robertson & Vandenburgh,
15 North State Road, Arlington Heights, Illinois,
Attorney for Defendant.

Certificate of Service (omitted in printing).

---

* Meaning "Plaintiff's Answers to Defendant's Interrogatories," referred to in Statement 6 above.

[fol. 22]

Admissions Exhibit 1

(See opposite) ☞

CHICAGO PUMP COMPANY
SHOP ORDER

PENALTY JOB

ESPY PAVING & CONSTRUCTION CO

S. O. 58172

SAVANNAH AIRPORT, SAVANNAH GA — DEC 6 1940

SHEET 1 OF 2

U.S.CONSTRUCTING BOX QUARTERMASTER -SAVANNAH AIRPORT

SHIP TIME BY NOV.29

SAVANNAH GA - FOR ACCT.OF ESPY PAVING & CONSTR. CO.

DATE CUST ORDER RT. 29

FREIGHT — PREPAID COLLECT — PREPAID

AMENT O ORDER NO

DIFFUSERS-PURCHASE ORDER NO.29-BT. THIS PKGE

DATE NEED 10-26-40

INSTALLATION TYPE "B" SWING DIFFUSERS

FEEDER MANIFOLD ASSEMBLIES WITH GASKETS AND BOLTS FOR 6 FT. 0 IN. COPING.

SWING JOINT ASSEMBLIES FOR 10 FT.-9 IN.W.D.TANK AND 1 FT.-10½" FREEBOARD

DIFFUSER TUBE HEADER ASSEMBLYS 12'-4" LONG - 14 OPENINGS IN EACH HEADER ASSEMBLY — Note 2

DIFFUSER TUBE HEADER ASSEMBLY 7'-0" LONG 22 OPENINGS IN EACH ASSEMBLY — Note 2

2" I.D.CARBORUNDUM DIFFUSER TUBES & CARTRIDGES. TUBE PERMEABILITY 40.0 AIR RATE 4 TO 8 CFM — Direct

2" I.D. CARBORUNDUM DIFFUSER TUBES ONLY PERMEABILITY 40.0 (SPARE3) — Direct

2" COUNTER SUNK BRASS PIPE PLUGS

ANCHOR BARS 36174 14724 — NOTE-1

MOTOR OPERATED HOIST WITH 30 FT. RUBBER COVERED CABLE 110 VOLT SINGLE PH., 60 CYCLE

EQUIPMENT TO BE FURNISHED IN ACCORDANCE WITH C.P.CO.DWGS. S1.50192-182

BILLED 1917

C.P.CO. IS TO FURNISH A MAN TO SUPERVISE THE INSTALLATION OF THIS EQUIPMENT AND INITIAL OPERATION FOR 30 DAYS

FURNISH TAPERED AERATION LICENSE

CONSTRUCTION PRINTS AT ONCE

SHIP ANCHOR BARS BY NOV. 4. SHIP WITH ANCHOR BOLTS FOR 58173.5, 6 & 7.

RST — ORDER WRITTEN BY SAN — DATE WRITTEN 1-5-40 — AGENT BERGEN & PECK

REN — AGENT O.K. LATER — SALES DEPT. O.K. RST

COPY

CONTINUED ON SUPPLEMENTARY SHEET ___ OF ___

SEE CREDIT DEP., WHEN READY

[fol. 23]

ADMISSIONS EXHIBIT 2

(Letterhead of)

CHICAGO PUMP COMPANY

December 16, 1940

R. S. Carter
c/o Desoto Motel,
Savannah, Ga.

Dear Ralph:

I am enclosing a duplicate set of instructions that I mailed you in Gainesville regarding the setting of the air valve housings for the Type B Swing Diffuser.

We shipped to Savannah via express last Saturday 10 steel forms and one gauge bar to be used to hold the valve housing casting in place on the walkway.

The forms are to be used as described in the instructions and extreme care must be used in setting the top face of the valve casting at the proper elevation and also level. Alignment of the point assembly which mounts on the top of this casting will be naturally effected if the top face is not level.

Also enclosed you will find other prints showing how the joint is assembled and the air valve installed. The best procedure for assembly is left up to you but I suggest that the joint knee be taken apart, and attach the top section to the valve housing rather than try to handle the whole joint.

The tube headers are provided with gaskets to permit leveling if the down pipes are out of vertical. We had trouble with some of the pipe threads being off and you may find some of the joints off in this respect.

Keep a close record on time required to install this equipment, and make notes on any suggestions or comments that the contractor might have to improve the form work.

[fol. 24] Be sure the form plates, where they bolt to the casting, are kept clean and free from foreign material that will interfere with clamping these two surfaces together tightly. Dirt will throw off the level of the castings top face with respect to the spirit level check. Also be sure to take care of the gauge bar and keep it from being bent or twisted. The forms are our property and when the contractor is finished crate and ship them back to Chicago.

The contractor .....

(Two paragraphs illegible, omitted)

Keep me posted on where you are.

Yours truly,

Chicago Pump Company
A. C. DURDIN, III

ACD,III:RW

ADMISSIONS EXHIBIT 3

(Letterhead of)

DINKLER HOTELS

Written from The Savannah Hotel
Savannah, Georgia

Jan. 1, 1941

Dear Gus.

Just a few lines as to conditions here. The swing defusers are finished except for the tubes as I felt the tubes might be broken if I installed them.

We have the returned sewage pumps set and are working on the raw.

I expect to have the pumps finished on Thursday and then will go to see our agent.

I am hoping that I can install the tubes before I leave and test them out with water before I leave. As things are

[fol. 25] going I believe I can do all of this with out lossing (sic) too much time.

As Ever Chuck

P.S. I am short one 1″ countersunk head Pipe Plug for the headers on the duffusers.

C.L.

ADMISSIONS EXHIBIT 4

(Letterhead of)

DINKLER HOTELS

Written from The Savannah Hotel
Savannah, Georgia

Jan. 4, 1941

Dear Gus.

Received your two letters to-day.

Mr. Peck and I were out to Camp Savannah to-day but have nothing to report, as the plant has not progressed very far.

I am figuring on returning on Monday or Tuesday nite. This depends on the electricans (sic). What I am trying to do is to run the blowers so I can test the tubes. We are installing the tubes to-day. They were hid away in one of the warehouses.

The pumps and all the equiptment (sic) is set and ready to go.

They have not chosen an operators as yet, and I have been hounded to death for the job.

No one here knows much about an Activated plant and I have been answering questions galore.

You say Bill found that the leveling bar was off when he bolted it down. I guess he worked differently than I did as I didn't pull my bar down more than snug and used a carpenters

(rest of letter omitted)

[fol. 26]

ADMISSIONS EXHIBIT 5

640 W. 37 St.
Savannah, Ga.
Jan. 20, 1940

Dear Gus:

Arrived yesterday afternoon and started on the job this morning. The plant is completed sufficiently to operate and at present have everything going. There is still a lot of work to be done, in fact they are still pouring concrete but at the rate they work around here it should all be done by the end of next week.

I do not know how much data I will be able to get as the lab. equipment has just been ordered and it may not be here for some time unless they are able to get much better service than we usually get. There has not been an incubator ordered so I am trying to get one so that we can get some B.O.D.'s.

I have not checked the dimensions of the final tank but it looks enormous and I do not know how it will work. The engineer told me that the length of it was increased over the original design and it is now as long as the aeration tanks.

The velocity to both the primary tank and the aerators is very low also the ports to the primary tank seem to be pretty small but I won't be able to tell how things work out until we run awhile.

The primary sludge draw off hopper has a flat bottom which is very poor.

There is a civilian operator and three soldiers so that the plant will have twenty-four hour operation.

Yours truly,

/s/ Topleshay

[fol. 27]

Admissions Exhibit 6

(See opposite) ☞

CHICAGO PUMP CO.
DIVISION OF SANITARY ENGINEERING
2336 WOLFRAM ST.
CHICAGO, ILL.

SEWAGE TREATMENT WORKS OPERATION REPORT

PLANT Savannah Airport

MONTH OF JAN. 22-31 FEB. 1-22 1941

DATE	WEATHER: RAINFALL	WEATHER: WIND DIRECTION	WEATHER: TEMPERATURE	STREAM FLOW	SEWAGE TEMPERATURE °F: RAW	SEWAGE TEMPERATURE °F: FINAL	FLOW – M.G.D.: GATE MAX.	FLOW – M.G.D.: GATE MIN.	FLOW – M.G.D.: TOTAL TO PLANT	OT-PASSED: RAW	OT-PASSED: SETTLED	AERATION: D.O. OF LAST AERATOR	AERATORS: CUBIC FT. AIR/DAY 1000	AERATORS: CUBIC FT. AIR/DAY 1000	SOLIDS: SUSPENDED P.P.M.	SOLIDS: SETTLED % 30 MIN.	SOLIDS: SLUDGE INDEX 17÷16×10	RETURN SLUDGE: 1000 GAL.	RETURN SLUDGE: SUSPENDED SOLIDS P.P.M.	RETURN SLUDGE: SETTLED SOLIDS %	SLUDGE AND GAS: WASTE ACTIVATED GALLONS	SLUDGE AND GAS: LBS. DRY SOLIDS ADDED TOTAL	SLUDGE AND GAS: LBS. DRY SOLIDS ADDED VOLATILE	SLUDGE AND GAS: GALS. PRIM. PUMPED	DIGESTOR SLUDGE: TEMP.	DIGESTOR SLUDGE: PH	SLUDGE AND GAS: GAS, 1000 CU. FT.	ELECTRIC CURRENT KWH.: AERATORS	ELECTRIC CURRENT KWH.: SEWAGE PUMPS	ELECTRIC CURRENT KWH.: RESIDUAL CHLORINE #/DAY	ELECTRIC CURRENT KWH.: GENERAL PURPOSES	ELECTRIC CURRENT KWH.: TOTAL	ANALYSES: B.O.D. P.P.M. & DAY: RAW	B.O.D.: PRIM. EFF	B.O.D.: FINAL EFF.	SUSPENDED SOLIDS: RAW	SUSPENDED SOLIDS: PRIM. EFF.	SUSPENDED SOLIDS: FINAL EFF.	SETTLEABLE SOLIDS: RAW	SETTLEABLE SOLIDS: PRIM. EFF.	SETTLEABLE SOLIDS: FINAL EFF.	PH: RAW	PH: PRIM. EFF.	PH: FINAL EFF.	STABILITY FINAL EFFLUENT	DISSOLVED OXYGEN: FINAL EFF.	DISSOLVED OXYGEN: OTCEAN ABOVE	DISSOLVED OXYGEN: OTCEAN BELOW
FEB 1	0						.374	.086	.150	0	0		3.0			5.0		200			0										7															2.0		
2	0						.374	.086	.150	0	0		3.0			5.0		200			0										7															2.1		
3	R						.374	.086	.160	0	0		3.0			3.0		200			0										7															2.0		
4	0						.345	.086	.146	0	0	8.0	3.6			2.5		200			0								0.1		5															1.7		
5	0						.346	.057	.150	0	0	8.2	5.5			3.0		200			0					6.6			0.5		10															2.3		
6	R						.346	.057	.156	0	0	8.5	7.2			10		200			0								0.5		9															–		
7	R						.360	.057	.165	0	0	5.7	6.0			14		180			20								0.5		9															1.4		
8	0						.463	.057	.136	0	0	6.6	6.5			13		180			20			3356					1.0		9								8.0	7.8				2.3		
9	0						.300	.072	.178	0	0	4.2	7.3			12		180			20			3640					0.2		15															2.9		
10	0						.432	.043	.160	0	0	5.3	5.4			19		180			20			3120					.15		9															4.6		
11	0						.374	.043	.158	0	0.11	7.3	6.0			35		175			25			2400		6.8			0.2		10															0.7		
12	0						–	–	–	0	✓	4.4	6.0			70		200			0			2400					0.1		10															2.1		
13	0						.316	.043	.148	0	14.4	4.3	5.0			100		200			0			3840					0.1		7								7.8	7.8				6.9		
14	0						.504	.057	.171	0	10.0	6.7	7.2			100		100			106			3520					0.2		8								7.8	7.8				1.4		
15	0						.345	.057	.131	0	20.0	8.3	6.8			100		–			–			3840					0.2		7								7.8	7.8				8.6		
16	0						–	–	–	0	✓	–	–			100		–			–			3420		6.2														7.7	7.6						
17	0						.316	.057	.188	0	5.6	–	–			–		–			–			3840																7.8	7.8						
18	0						.432	.057	.190	0	0	4.6	5.7	194		35		100			0			3840					1.0		10															3.3		
19	0						.389	.057	.176	0	0	5.4	6.5	257		30		100			0			3840					1.0		7								7.8	7.9	7.6			3.6		
20	0						.331	.057	.162	0	0	3.4	2.4	257		30		100			0			3840					0.4		6															1.5		
21																																																
JAN. 22	0						.374	.086	.163	0	0	8.4				1.0		125			0																											
23	0						.374	.086	.171	0	0					2.5		125			0								6.5		11															2.2		
24	0						.346	.115	.191	0	0	5.7	4.2			2.5		125			0								1.0		6								8.2	8.4				2.5		
25	0						.374	.144	.160	0	0	4.8	5.4			3.0		130			0								6.16		8															2.1		
26	0			ADJUSTING						0	0	3.7	4.6			3.0		130			0								0.16		5															3.1		
27	0			METER						0	0					2.5		106			30								1.60		5															2.0		
28	0									0	0	6.0	5.0			2.0		70			60					6.3			0.5		6															2.0		
29	0						.345	.086	.147	0	0	5.2	4.7			2.0		70			60								0.5		7															2.6		
30	0						.389	.086	.161	0	0																				7															2.0		
31	0									0	✓	3.0				4.0															5															2.0		
TOTAL																																																
AVE.																																																
MAX.																																																
MIN.																																																

% PURIFICATION.	B.O.D.	SUSP. SOLIDS	SETT. SOLIDS
R – P			
R – F			
P – F			

R = RAW SEWAGE.
P = PRIMARY TANK EFFLUENT.
F = FINAL EFFLUENT.

SLUDGE				
DATE	DRAWN TO BED NO.	DEPTH ON BED INCHES	REMOVED FROM BED NO.	CUBIC YARDS REMOVED

REMARKS: (INCLUDE UNUSUAL SEWAGE OR STREAM FLOWS, OPERATING TROUBLES, LINE TO SEWAGE OR DIGESTOR, CHLORINATION, BYPASSES ETC., GIVING DATES. NOTE TIME OF DAY SAMPLES OF ALL TREATED TANKS)

1/30 Took #1 AERATOR OUT OF SERVICE.
2/3 Put #1 " BACK " "
2/7 Took ONE PRIMARY TANK OUT OF SERVICE.

BY _____ NAME AND TITLE

2

11

[fol. 29]

ADMISSIONS EXHIBIT 7

(Letterhead)

Schneider, Dressler, Goldsmith & Clement

June 15, 1961

Louis Robertson, Esq.
Jones, Darbo & Robertson
20 North Wacker Drive
Chicago 6, Illinois

Re: FMC v. Walker (Chicago Suit)

Dear Mr. Robertson:

In reply to yours of June 10, we believe that the answers to the interrogatories which were originally furnished you were as specific as possible, and we do not believe that we can be more specific at this time.

Frankly, however, in view of our activities in the Greensboro suit, we have not made any further search for documents. Naturally, we will be agreeable to produce informally any documents to which you are entitled and which we have located to date. If you will let us know when you wish to do this, we will be glad to make arrangement. Perhaps the documents that you will see will answer some of the questions that you may now have.

Yours very truly,

Schneider, Dressler, Goldsmith & Clement
By /s/ Howard Goldsmith

RHG/rhw

In United States District Court

Plaintiff's Answers to Defendant's Request for Admission—Filed March 19, 1962

Request No. 1

Admissions Exhibits 1 to 6 attached hereto are true copies of papers retained in regular course of business [fol. 30] in Plaintiff's files, Exhibits 2 to 6 having been received or written by Plaintiff within a few days of the dates thereon (except that "Jan. 20, 1940" should be "Jan. 20, 1941") and the shop order Exhibit 1 having been written and issued by Plaintiff about Nov. 5, 1940. (Reference to Plaintiff here and throughout includes Plaintiff's predecessors in business.)

Answer:

Admitted.

Request No. 2

All of said exhibits relate to swing diffuser equipment according to the patent in suit, including piping carrying diffusers at the bottom end, pivoted to an air supply connection at the upper end and having a pivoted knee intermediate the ends.

Answer:

Admitted, except that Plaintiff denies any inference that may be present in said request to the effect that the "swing diffuser equipment" mentioned in said exhibits includes all of the equipment referred to in Claims 1, 3, 4, 5 and 6 of patent in suit.

Request No. 3

The swing diffuser equipment of the patent in suit was installed and operating usefully in an aeration tank for sewage treatment accessible to persons unrestricted as to divulging details thereof, as early as Jan. 22, 1941.

Answer:

Denied.

Request No. 4

The swing diffuser equipment of the patent in suit was sold and delivered and installed in aeration tanks by Jan. 1, 1941.

[fol. 31] Answer:

Denied with respect to Claims 1, 3, 4, 5 and 6 of the patent in suit. Admitted with respect to Claim 2.

Request No. 5

The sale of swing diffuser equipment referred to in Statement 4 was an outright sale at a full commercial price.

Answer:

Admitted.

* * * * * * *

Request No. 8

The papers from which said Exhibits 1 to 6 were copied were in files in the files of Plaintiff's attorney when he prepared "Plaintiff's Answers to Defendant's Interrogatories" sworn to by Milton Spiegel the 1st day of Feb. 1961.

Answer:

Admitted.

* * * * * * *

Request No. 11

Plaintiff did not inform the Patent Office of the sale, installation or use of swing diffuser equipment referred to in Exhibits 1 to 6, and filed the usual

oath denying public use or sale more than a year before the filing of the application.

Answer:

Admitted.

Request No. 12

Plaintiff's counsel, after a request for more specific answers to the Interrogatories replied in a letter of June 15, 1961, of which Exhibit 7 is a true copy, ignoring the crossed out additions.

Answer:

Admitted.

* * * * * * *

[fol. 32]

IN UNITED STATES DISTRICT COURT

PLAINTIFF'S ANSWERS TO DEFENDANT'S INTERROGATORIES 18 TO 21—Filed March 19, 1962

Interrogatories Nos. 18A & B

(A) State any and all facts relied upon as saving the patent in suit from invalidity on account of the sale, installation and use of swing diffuser equipment referred to in Exhibits 1 to 6.

(B) If any ultimate facts or conclusions are given in response to Part "A" hereof, state all primary facts relied upon in support thereof.

Answers:

The "equipment" was not installed as set forth in Claims 1, 3, 4, 5 and 6 of the patent prior to February 2, 1942.

The subject matter as set forth in the claims of the patent was not in operation prior to February 2, 1942.

* * * * * * *

IN UNITED STATES DISTRICT COURT

PLAINTIFF'S ANSWERS TO DEFENDANT'S REQUEST FOR ADMISSIONS OF FACT (14-17)—Filed August 29, 1962

Request No. 14

14. Plaintiff relied solely* (*If "solely" is too strong, admit so much of the statement as is true, preferably with such precision and clarity as to leave no need for clarifying requests.) On the non-delivery of the hoist prior to February 2, 1941 as the justification for the following:

(a) The first paragraph of its answer to Interrogatory 18A and B,

(b) The second paragraph of its answer to Interrogatory 18A and B,

[fol. 33] (Note: It is noted that the dates stated in those answers were 1942. Defendant thinks may have been intended, and suggests that if the answer would be untruthful with the date 1942 as stated, Plaintiff correct it. Plaintiff is also requested to check the accuracy of the second paragraph of the answer to Interrogatory 18A unless by a revise answer claim 2 is excluded from such paragraph.)

(c) Denial portion of Request No. 2,

(d) Denial of Request No. 3,

(e) First sentence of answer to Request No. 4,

Answer:

14(a). In the first paragraph of plaintiff's answer to Interrogatory 18A and B, plaintiff relied on the non-delivery of the hoist and also upon the fact that its swing diffuser equipment included as an integral part thereof operational supervision which was not completed prior to February 2, 1941. (The date of February 2, 1942 in the two paragraphs of the answers to Interrogatory 18A and B was a typographical error and should have been February 2, 1941.)

14(b). In the second paragraph of plaintiff's answer to Interrogatory 18A and B, plaintiff relied upon (a) non-delivery of the hoist, and (b) the fact that its equipment, exclusive of the hoist, was not in satisfactory operation prior to February 2, 1941.

14(c). This request is ambiguous as defendant's Request No. 2 does not refer to delivery or non-delivery; insofar as the answer to the request refers to "swing diffuser equipment", the denial portion of the answer related to the hoist.

[fol. 34] 14(d). In denying Request No. 3, plaintiff relied upon (a) non-delivery of the hoist, and (b) the fact that its equipment, exclusive of the hoist, was not in satisfactory operation prior to February 2, 1941.

14(e). Admitted.

* * * * * * *

Request No. 16

16. There are no facts concerning the swing diffuser equipment (other than the hoist) to which said Exhibits 1 to 6 relate which keep that equipment (other than the hoist) from being part of the "prior art" designated in Sec. 103 of the Patent statutes, (35 USC 103).

Answer:

This request has been objected to.

Request No. 17

17. There are no facts about the piping which was the subject of Interrogatory 4 (the hoist not being included in said interrogatory) which keep it from being part of the "prior art" designated in Sec. 103 of the Patent statutes, (35 USC 103).

Answer:

This request has been objected to.

FMC Corporation
By /s/ Tom H. Forrest

* * * * * * *

IN THE UNITED STATES DISTRICT COURT

Civil Action No. 60 C 1007

MOTION FOR SUMMARY JUDGMENT—
Filed September 7, 1962

Defendant hereby moves for a summary judgment that the patent in suit was invalid when issued.

[fol. 35] The evidence on which Defendant relies comprises the accompanying copy of the patent in suit (identified by attached affidavit) and the admissions by Plaintiff on file, including admissions in answers to interrogatories.

Briefly, the admissions show that the Plaintiff by its predecessor had sold and delivered the swing diffusers of this patent more than one year prior to the filing date of the application for this patent.

That which was sold is prior art under Section 102(b) of the Patent Statute. The technicality that the patent claims require not only swing diffusers (defined in detail) but also "means" for raising the swing diffusers, is of no avail to Plaintiff in view of Section 103 of the Patent Statute which requires that differences over the prior art (over that which was sold) be not obvious. The use of some means for accomplishing the described raising (i.e. means such as the mere cable illustrated in the patent in suit, or a lever) would surely have been obvious. In fact, Plaintiff admits having previously sold hoists for an earlier version of swing diffusers.

Louis Robertson, Darbo, Robertson & Vandenburgh, P.O. Box 67, 15 North State Road, Arlington Heights, Illinois, Attorney for Defendant.

[fol. 36]

IN THE UNITED STATES DISTRICT COURT

Civil Action No. 60 C 1007

AFFIDAVIT OF CHARLES LAWRENZ—Filed October 5, 1962

State of Illinois,
County of Cook, ss.:

Charles Lawrenz, being first duly sworn, deposes and says:

1. I am a Senior Installer employed by Chicago Pump, Hydrodynamics Division of FMC Corp. (formerly known as Food Machinery & Chemical Corp.). I have been em- [fol. 37] ployed in the sewage treatment field by my present employer and its predecessor, Chicago Pump Company, for 26 years.

2. In 1941 I was employed as a Service Field Engineer with Chicago Pump Company.

3. I am familiar with the installation of the Lannert "swing diffusers" at Hunter Air Force Base, Georgia, as I was one of the people who made that installation. These "swing diffusers" are similar to those of U. S. Letters Patent No. 2,328,655, issued September 7, 1943, on an application filed February 2, 1942, in the name of W. H. Lannert.

4. I have read defendant's motion for summary judgment, the brief of defendant in support of that motion, and I am familiar with the subject matter and most of the alleged facts set forth in said documents.

5. Many of the alleged facts as set forth in the aforementioned documents are incorrect and/or incomplete, and I take issue with them. I do not agree with the conclusions set forth in the defendant's motion for summary judgment and the accompanying documents filed by defendant; for example, I do not agree with the assertions made with respect to the alleged facts set forth therein and relating to:

(a) The alleged "obviousness" of a means for removing the swing diffusers from the sewage treatment tank.

(b) The allegations that the "means" could be a pipe wrench, a lever, a rope, a cable, or any of various other tools.

(c) The assertion that the swing diffuser equipment was working satisfactorily prior to February 2, 1941; to be in satisfactory operation the swing diffusers would have required satisfactory means to remove them from the sewage treatment tank.

[fol. 38] (d) The satisfactory operation of the equipment; the equipment could not be said to be in satisfactory operation until Chicago Pump Company had completed 30-day operational supervision which was an integral part of the contract for installation of the equipment, and which was not completed prior to February 2, 1941.

Charles Lawrenz

Subscribed and sworn to before me this 4th day of October, 1962.

Tracy B. Menke, Notary Public

(Seal)

IN UNITED STATES DISTRICT COURT

PLAINTIFF'S ANSWERS TO DEFENDANT'S REQUEST FOR ADMISSIONS OF FACT (18 and 19)—Filed October 17, 1962

Request No. 18

18. Prior to February 2, 1941, all equipment shown in the drawings of the patent in suit, except cable 68, was installed in aeration tanks of a sewage treatment plant substantially* in accordance with said drawings

* Discrepancies may be described if desired to avoid interpreting the word "substantially."

and was in use for aerating sewage in said tank for the purpose of usefully treating said sewage, and was exposed to view of persons having no obligations of secrecy with respect to it. The equipment had already been sold by Plaintiff's predecessor, delivered, and installed under Plaintiff's predecessor's supervision.

Answer:

[fol. 39] Plaintiff admits request No. 18 except that (presuming that by "the equipment" referred to in the second sentence Defendant means complete installation) Plaintiff expressly denies the second sentence, and Plaintiff also denies that equipment in aeration tanks was in satisfactory use for the purpose of usefully treating sewage prior to February 2, 1941.

Request No. 19

19. Prior to February 2, 1941, there was means at hand at the site of the aeration tanks of the preceding paragraph for pivoting the upper pipes of the swing diffusers of the patent in suit to raise or lower the diffusers, and at least one of said diffusers had been raised or lowered by such pivoting.

Answer:

Denied.

IN UNITED STATES DISTRICT COURT

DEPOSITIONS OF CHARLES E. LAWRENZ AND TOM FORREST
TAKEN OCTOBER 18, 1962

Mr. Goldsmith: * * *

* * * I might state for the record, Mr. Robertson, that after some study last night in connection with the suit, and discussing the matter with Mr. Forrest, for the reasons stated in the motion, we have decided to dismiss the suit with prejudice, and I will ask you in view of that whether you believe there is any point in continuing with these depositions.

Mr. Robertson: Yes, I do, because I believe it relates to the question of the recovery of attorneys' fees and may relate also to the possible claim of Walker against F.M.C.

* * * * * * *

[fol. 40] CHARLES E. LAWRENZ, called as a witness herein, having been first duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Robertson:

Q. Mr. Lawrenz, you are the Charles Lawrenz who executed an affidavit in this case, a copy of which I show you, are you not?

A. Yes.

* * * * * * *

Q. In paragraph 3 of your affidavit, you stated that "I was one of the people who made the installation." Who were the others, to the extent that you can tell us offhand, or describe them by class, if they were just workmen?

A. They were workmen.

Q. Working under you?

A. Working for the contractor.

Q. What was your part in the installation?

A. Supervision.

* * * * * * *

Q. Your letter of January 1st indicates that the swing diffusers are finished, except for the tubes, so I judge that certainly by that time the concrete work of the tanks was completed. Is that correct?

A. Well, you leave me kind of vague there. They were complete to the extent that we could install the swings with the tubes, and could put water in the tank.

Q. I show you a copy of the patent in suit, and ask if the tanks comprise two side-by-side aeration tanks, as shown in the patent.

A. They do.

Q. And they had sort of a Y-shaped wall between them, did they?

A. Yes.

[fol. 41] Mr. Goldsmith: You are speaking of the installation at Hunter now?

Mr. Robertson: Hunter Air Force Base.

The Witness: Yes.

* * * * * * *

Q. Can you tell us when you left that Hunter Air Force Base job?

A. The exact date, I couldn't, no.

Q. Was the aeration tank filled and operating when you left?

A. It was filled with water, but the operation, I couldn't say.

Q. I call your attention to your letter, admissions Exhibit 4, to the second paragraph, which reads, in part, "What I am trying to do is to run the blowers so I can test the tubes. We are installing the tubes today."

I call your attention to it to refresh your recollection on it. Before you left you did operate the blowers, did you?

A. Yes.

Q. And the tubes appeared to work properly.

A. As I recall.

* * * * * * *

Q. When you went down to Hunter Air Force Base for this installation work, were you already acquainted with these knee-action swing diffusers of the type B swing diffusers?

A. No.

Q. You had never seen them, even in the shop, before?

A. I can't be sure of that answer. I probably did. I knew what they looked like.

[fol. 42] Q. And in spite of never having seen one of them raised, do I understand correctly that you installed them and left Hunter Air Force Base without ever raising one of them, to make sure that it raised properly?

* * * * * * *

A. I see no reason to be concerned, as I recall it, about their ability to do what they were supposedly to do. I couldn't have raised it, for there was no way of raising it, unless I used some outside means, such as a crane or some power device.

Q. They were doing a lot of work around that plant, weren't they, so there were cranes around there?

A. Yes.

Q. There were cranes around there?

A. Yes.

Q. So if you had wanted to test one out, you could have brought one over and raised it, couldn't you?

A. I suppose I could have, if I needed to.

* * * * * * *

Q. Referring again to the affidavit which you executed in this case, did you study that affidavit to be sure it was truthful before you signed it?

A. I thought so.

Q. In item 5 you state, "Many of the alleged facts set forth in the aforesaid mentioned documents are incorrect and/or incomplete."

When you made this affidavit, did you mean that some of the facts stated were incorrect, and that some were incomplete, or did you mean merely that some of them were either incorrect or incomplete but maybe not both? Or, in other words, what was your meaning in using that phrase incorrect and/or incomplete?

A. The reference was in connection with this method of raising with a rope a lever or a pipe wrench.

[fol. 43] Q. Of course, that is just one. Your wording that I read before says, "many of the alleged facts."

A. Many is more than one. Right.

Q. Quite a few more than one, I would think.

A. Well, there are three here.

Q. Three being—what three are you talking about? A pipe wrench, a lever, a rope?

A. Yes.

Q. Those were the three you thought were incorrect? Is that correct?

A. Yes.

Q. Those were the ones to which you were referring when you said "many of the alleged facts were incorrect"?

A. Yes.

Q. And that is all that you were referring to?

A. Yes.

* * * * * * *

Q. You are supposed to answer the question, whether a cable could be used to raise one of the swing diffusers.

A. No, I am a little vague. Could a cable be used in itself? No. It has to be powered.

By Mr. Robertson:

Q. You would have to have something adequate for pulling the cable, is what you mean.

A. Yes, that is right.

Q. And that would also be true of a rope, would it not?

A. Yes.

Q. A rope would be used with something adequate to pull it.

A. Yes.

Q. Further on in paragraph 5 in your affidavit, you state twice, "I do not agree," the last one being, or more [fol. 44] completely stated, "I do not agree with the assertions made with respect to the alleged facts set forth therein and relating to:"

Now, when you said you do not agree, do you mean that you definitely disagree that the assertions made with respect to the alleged facts set forth therein relating to the following items were definitely untrue or merely that you were not agreeing that they were true?

* * * * * * *

Q. Now, as to the other items, did you also mean to be definitely asserting that they were untrue, or did you merely mean to say you didn't agree with them, you wouldn't commit yourself to being in agreement with them?

A. That is correct. I would not be in agreement with them.

Q. That you would not commit yourself to being in agreement with them.

A. Yes.

* * * * * * *

Q. When would you expect the need for raising the swing diffuser to develop at Hunter Air Force Base? In the matter of a few days, from the beginning of operations, a few months, or what?

* * * * * * *

The Witness: The need could be a variable, depending on many facts.

* * * * * * *

Q. A broken tube could develop at any time, is that what you mean?

A. Possibly.

Q. In which case you might need the swing diffuser fairly soon.

A. Yes.

[fol. 45] Q. If there wasn't a broken tube, or a tube which developed a bad leak, which I suppose would be a form of break, the next time, the next occasion for raising them would be when they became clogged or needed cleaning them, is that correct?

A. Yes, sir.

Q. And you wouldn't expect that to occur in less than a few months, would you?

* * * * * * *

The Witness: I can't—the time element is so uncertain.

* * * * * * *

Q. Do they clog so badly that they might need to be raised even sooner than two months for cleaning?

A. I couldn't answer that.

Q. Have you any that needed to be raised sooner than two months for cleaning?

A. No, I can't recall any case.

* * * * * * *

Q. What basis did you have for the statement in paragraph D that the equipment could not be said to be in satisfactory operation until the end of this supervisory period?

A. On the basis of acceptance by the U. S. Government.

Q. Well, your affidavit doesn't say it hadn't been accepted by the U. S. Government. Your affidavit says it could not be said to be in satisfactory operation.

Mr. Goldsmith: He has just explained it for you now.

By Mr. Robertson:

Q. All you meant was it had not been accepted by the U. S. Government, is that correct?

A. That brings it up to the satisfactory conclusion of the job.

[fol. 46] Q. I don't think you quite answered my question. All you meant in that part of paragraph D was that it had not been accepted yet by the government, is that correct?

A. Yes.

* * * * * * *

Q. Do you remember some inspections, or inspection?

A. To the degree that there was, I assume, an engineer representing the air force base on the job continuously.

* * * * * * *

Q. I judge you mean that there was definitely someone there, and you assume he was an engineer, is that correct?

A. Yes. I didn't see his diploma, or anything like that.

Q. And he was generally inspecting for the army the installation around the whole plant, was he?

A. Yes, sir.

Q. Including the installation in which you were participating.

A. Yes, sir.

Q. As far as you know, he was satisfied with your installation work.

A. As far as I know, yes.

* * * * * * *

TOM H. FORREST, called as a witness herein, having been first duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Robertson:

Q. Mr. Forrest, you are the Tom H. Forrest who swore to various papers in this case, are you not?

A. That is right, yes.

* * * * * * *

[fol. 47] Q. Starting at the end with your answer to requests 18 and 19, at the top of page 2, you have a parenthetical clause reading, "presuming that by the equipment referred to in the second sentence defendant means complete installation."

You were there referring, were you not, to the absence of the hoist?

A. I believe I was referring to that, and I may have also been referring to this operation supervision which was part, presumably part of the order.

* * * * * * *

Q. What was the source of your information for your denial of request 19?

A. The source was what became, or what is indicated as admissions Exhibit Number 1, and—just a second. I believe there was another exhibit in here. (Examining file.)

It was Exhibit Number 1 and Exhibit 5.

Q. Are you again referring to the fact that the hoist had not been delivered?

A. That is correct. In that case also, the fact that in Exhibit Number 5, I believe, it was indicated that the tanks were not completed, or something wasn't completed. Let's see, what is that date again? Yes, it would be those two. For the moment, those two.

Q. I don't understand what the second of those two have to do with request 19. Can you explain?

A. Well, at the time, at least by January 20—now, I have no later information that is before February 2nd, I realize

—but at that time, it was indicated that they were still pouring concrete, and this didn't indicate that the pivoting could be done necessarily. I have no information as to what concrete was being poured. So I would say that this might have had some effect on the pivoting of the unit.

[fol. 48] Q. Since the aeration tanks were in operation, isn't it pretty clear that the concrete must have been in the process of being poured somewhere else?

A. As of this date, which was what? The 20th? There was no indication where this concrete was being poured, nor no indication, as I recollect, as of the 20th, that there was operation.

Q. Doesn't this exhibit 5 say the plant is completed sufficiently to operate, and at present has everything going?

A. That is right, but that doesn't mean that it was in my connotation of operation. Now, we may get into a discussion about what operation is.

Q. To have everything going would indicate it was in some form of operation, wasn't it?

A. That is right. Some form of operation, but not what we would consider operation, necessarily.

Q. But the fact that everything was going, would tend to indicate, would it not, that concrete pouring was an adjunct of the plant rather than operating units of the plant?

A. It could be. It could have been in the aeration tank itself.

Q. How?

A. They could have been pouring copings. All sorts of things. I don't know. That is it. I have no knowledge of this directly.

Q. Are copings outside of the tank?

A. No, they are inside the tank, in part.

Q. If the tank were in operation, it would be rather strange to be pouring copings at that time, wouldn't it?

A. It would be strange, but from what has been indicated in this project, things were moving very rapidly; [fol. 49] that is, from what I have read. I don't know. I wasn't there.

* * * * * * *

Q. However, you knew that the swing diffuser equipment had been installed, did you not?

A. I was aware of the fact from one of the other exhibits.

Q. So the copings on which they rest must have been complete by that time.

A. At least sufficiently to install the valve housing and hang the equipment.

Q. There is nothing you know of that gives any indication that any of this concrete pouring was in connection with the aeration tanks, is there?

A. No, nor the reverse.

Q. But you based your denial on the bare possibility, in part on the bare possibility, that it might have been in connection with the aeration tanks?

A. In part. More on exhibit 1, of course.

Q. But as to the part on which you based it, as we just stated, did you do any checking as to whether the—

A. I had no way to check.

Q. You could have asked Mr. Lawrenz, couldn't you?

A. I suppose I could have. I didn't.

Q. Likewise, did you do any checking as to their being some other means at hand beside the hoist?

A. No, I did not.

Q. Yet you signed the sworn denial on as little information as you have indicated?

A. I believe I said something to the effect somewhere that this was to the best of my knowledge. I am not so sure about that. I don't see it here. But I can recollect signing such papers. Whether it was with this one or not, I don't know.

* * * * * * *

[fol. 50] Q. And you felt that justified you in taking the oath when you knew that your knowledge was very, very slim?

A. That is right. But is based on my best knowledge and belief.

Q. Did Mr. Goldsmith realize that you had virtually no knowledge?

Mr. Goldsmith: I object to the question. I don't think the witness knows what Mr. Goldsmith knew.

Mr. Robertson: Let's ask him. I ask him if he did.

The Witness: I have no knowledge about how much Mr. Goldsmith knows about what I know about this job.

By Mr. Robertson:

Q. Did he inquire about the extent of your knowledge?

A. I don't believe he did.

* * * * * * *

Q. Doesn't admissions exhibit 6 indicate treatment of sewage?

* * * * * * *

A. Admission 6 shows no information regarding the treatment that was taking place, if any. It shows that some metering was being done, that is about all.

Q. The figures in the first three filled-out columns under the heading of "Sewage temperature and flow" indicate flow of sewage to the plant, do they not?

A. Yes. Columns 8, 9 and 10 indicate the sewage flow.

Q. And column 11 indicates none was bypassed doesn't it?

A. Correct.

Q. That means none of the raw sewage was bypassed.

A. Around the primary tank.

Q. Around the primary tank.

A. Right.

[fol. 51] Q. And under aeration, that is the heading that would be pertinent to the tanks where the swing diffusers are located, is it?

A. Which are you talking about? What column numbers? There are numbers on this.

Q. Numbers 13 to 21.

Mr. Goldsmith: What is the question now?

By Mr. Robertson:

Q. Related to the answer where the swing diffusers are located, would it not?

A. Yes, in part it would, yes. Column 19 would not necessarily relate to that.

Q. Doesn't the return of sludge, indicated in column 19, show that sewage was being treated in the aeration tanks?

A. It shows that sludge was being settled in the secondary tank, that is correct.

Q. And returned to the aeration tanks?

A. That is right. We assume that is so.

Q. And that would be sludge from sewage, would it not?

A. Yes, I assume so.

* * * * * * *

Q. In any event, it is clear, is it not, that sewage was in the aeration tanks, or at least one of them, prior to February 2, 1941, and was being aerated for the purpose of treating it?

A. Mr. Robertson, I cannot say that that is so, based on what I see here.

Q. Why not?

A. Because if this—again, I do not know how this plant was built, but if I may believe that that plant was built with a bypass after the primary tank, it is not clear to me from this that sewage was being taken through this [fol. 52] plant, return sludge or not, because there is nothing with reference to the return sludge as to the quality of that return sludge. I don't know.

Q. But that, again, would be the satisfactoriness of the treatment rather than whether it was being treated, would it not?

A. You are asking me questions that I don't know. I cannot answer. I can produce, or I think I could produce, this kind of information treating clear water. Now, I am not saying I can. I am merely saying that I think most of this data could be obtained from clear water. There is only one piece of information that would indicate anything different, and that is column 17.

Q. What does that indicate different, that tends to indicate that sewage was being treated?

A. That indicates that something was settling.

Q. I call your attention to column 22 showing waste-activated sludge on some of the days; for example, Janu-

ary 27th, 28th and 29th. Doesn't that indicate that sewage was being treated?

A. Yes, I suppose that it might.

Q. You really suppose that it does, don't you?

A. I assume that it does, but I can't be sure. I didn't see this plant. I am perfectly willing to talk about things I know for sure, but—

Q. You were willing to swear to this statement, however, apparently, but I notice that again at the end. It includes the words "that the same are true to the best of his knowledge and belief," on page 5.

A. That is correct.

Q. With those words there you feel no responsibility for having any knowledge? Is that correct?

A. I put that in there because I have no real knowledge other than what I have ascertained with reference to this plant within the past two years or so.

[fol. 53] Q. But in some matters you didn't inquire of people who would have known; for example, I think you said you hadn't inquired of Mr. Lawrenz.

A. That is right. I did not. I felt I had sufficient information—perhaps I didn't—but I felt I had sufficient information from the face of the information that was available.

Q. You have no reason to believe there was any inadequacy in the treatment achieved with the quality of the aeration equipment, have you?

A. I don't know. I can't answer that one way or the other. I would believe that the equipment was satisfactory, but that is just what I believe, not what I know.

* * * * * * *

Q. You admitted that the swing diffuser equipment with respect to claim 2 had been sold and delivered and installed by January 1, 1941, is that correct?

A. I believe on the basis of the information that I had available, I believed that to be so.

* * * * * * *

Q. Plaintiff's interrogatory to defendant asked a question about a letter—you can look at my copy if you want

—dated December 18, 1956, in which I write to Mr. Dressler, counsel for plaintiff, and invited them to check into the question of the patent having been, or the subject of the matter of the patent having been in public use more than a year prior to the application filing date.

A. Yes.

Q. Do you have any information as to what investigation was made at the time of my letter?

A. No, I don't. I wasn't even aware of your letter until recently.

[fol. 54] Q. Plaintiff has been enjoying an enviable position in the trade with respect to selling diffusion equipment throughout the life of the patent in suit, has it not, in that there was virtually no competition in the sale of swing diffusers?

A. I believe that is probably correct.

* * * * * * *

Q. And Chicago Pump Company has sometimes bid the swing diffuser equipment together with equipment other than aeration tank equipment, has it not, at one price, one lump sum bid, in other words?

A. I believe it possibly has.

Q. Don't you really know that it has happened sometimes?

A. I can't recall a specific instance, but I believe it has, yes.

Q. And throughout the life of the patent, the Chicago Pump Company has advertised its swing diffuser equipment as patented, has it not?

A. I would assume that they have, yes. I assume so, yes. I can't verify that for sure.

Q. In fact, you would be amazed if they had not, wouldn't you?

A. Well, some of our advertising practices are not that sure. I wouldn't be too amazed. I believe we have, but I wouldn't be too amazed if they forgot it.

* * * * * * *

[fol. 55]

IN THE UNITED STATES DISTRICT COURT

Civil Action No. 60 C 1007

MOTION FOR AWARD OF ATTORNEYS FEES—
Filed October 22, 1962

Defendant moves, in the event the Court grants either Plaintiff's motion to Dismiss or Defendant's motion for Summary Judgment, for an award of reasonable attorneys fees ($5,000 unless the Court determines some other figure) to be paid by Plaintiff to Defendant, because of unusual circumstances in this suit as follows:

A. The filing of the patent application included the usual oath denying knowledge or belief that the invention had been in public use or on sale more than a year before the filing date, which allegations must be deemed false in view of Plaintiff's knowledge of its own delivery, installation and initial public use of the alleged invention more than a year before the filing date.

B. The failure of Plaintiff to recognize any duty or take any suitable action with respect to the possible invalidity of its patent when the question of public use more than a year prior to the application filing date was specifically raised in a letter from Defendant's attorney received by Plaintiff's attorney December 19, 1956 (copy in file attached to Plaintiff's Interrogatory served October 17, 1951).

C. The bringing of this suit when the only items Defendant was charged with selling were "air diffusion units" corresponding to the very items Plaintiff had sold, or placed on sale and delivered, more than one year prior to its application filing date, and maintaining this suit for two years after the patent expired, the considerations in Plaintiff's motion to dismiss being as applicable at the beginning of said two years as now.

[fol. 56] D. Plaintiff's unconscionable reluctance to clearly state the true facts relative to its swing diffusers being on sale, delivered, installed, and in initial use more than one year prior to its application filing date throughout Defendant's successive steps of discovery in this litigation as set forth in the following:

Account of Successive Efforts by Defendant to Elicit Facts, and Evasions by Plaintiff

E. Interrogatories 1 to 17 served July 14, 1960. Interrogatory 4A (2) asked the shipping date of piping (defined in Interrogatory 1 but here more easily identified as the patent's swing piping). Plaintiff answered "Between December 6, 1940 and February 19, 1941" although in fact said patent's swing piping was shipped well prior to the critical date of February 2, 1941, and Plaintiff knew so.

F. Asked by letter under date of June 10, 1961 for more specific answers, Plaintiff's counsel replied by letter of June 15, 1961 (Admissions Exhibit 7 attached to Defendant's first Request for Admissions) that "we do not believe we can be more specific at this time." Documents were offered for inspection (though not actually made available until several months later) and Plaintiff's counsel stated "perhaps the documents that you will see will answer some of the questions that you may now have." No explanation has ever been given as to why more exact answers could not be given if they could be found in the documents.

G. After inspecting Plaintiff's documents, Defendant served on January 26, 1962, Interrogatories and Requests for Admissions. In answer to Interrogatories 18A and B, Plaintiff stated that the equipment was not installed as set forth in certain claims of the [fol. 57] patent prior to February 2, 1942. The question had not been in terms of claims of the patent prior to February 2, 1942. The question had not been in

terms of claims of the patent, Plaintiff apparently choosing reference to them so as not to make clear that the entire swing diffusers had been delivered and installed, and only delivery of the hoist was delayed. Plaintiff's next sentence stated that the subject matter of the claims "was not in operation prior to February 2, 1942," while in fact it was operating to aerate sewage well prior to February 2, 1941. The use of the year 1942, although an error under oath, was presumably entirely inadvertent, and need not be considered as reason for award of attorney's fees, except as one more evidence of general carelessness of Plaintiff's answers. Subsequent attempts by Mr. Forrest to justify this denial of operation, aside from the date error, relied on the assertions that the operation was not satisfactory (though admitting that the swing diffusers were performing their job of aeration properly) and that in his terminology he does not consider a job in operation until the contracted supervision by his company is over.

H. In answer to Request No. 2, Plaintiff (by Mr. Forrest) denied any inference that the swing diffuser equipment mentioned in Admissions Exhibit 1 to 6 includes all the equipment referred to in certain claims of the patent in suit. This has since been admitted to be an error under oath.

I. On August 3, 1962, Defendant served Further Requests for Admissions. In answer to these, Plaintiff finally admitted that his prior (evasive) answers regarding swing diffuser equipment had relied on non-delivery of the hoist and that in denying operation he had relied on lack of satisfactory operation. Plain- [fol. 58] tiff at this time also introduced the further concept that he relied in part on the fact that the period of operation of supervision was not completed prior to the critical date. Plaintiff's employees as witnesses have subsequently admitted that there was nothing unsatisfactory about the aeration operation of the diffusers.

J. Although Request No. 6 had been answered with a simple "Denied" the subsequent answer to Interrogatory No. 24 stated "Request No. 6 is true insofar as it relates to the equipment listed in said request." The answer to Interrogatory 24 proceeded to explain the denial on the ground that the claims of the patent in suit includes certain elements in addition to the equipment listed in Shop Order No. 58,055, but this is not because any real explanation of the denial because the Request No. 6 referred to the equipment of said Shop Order, not to equipment of the patent in suit. Furthermore, the only "elements in addition" which Mr. Forrest could later mention were the aeration tanks themselves.

K. The last set of answers continued the pattern. Request No. 19 was simply "Denied," but on subsequent deposition, Mr. Lawrenz who supervised installation of the swing diffusers in question admitted that (contrary to said denial) cranes were at hand at this first treatment plant which could have raised the swing diffusers. Mr. Forrest, who swore to the denial of Request No. 19, had no personal knowledge of what had been available and admitted that he did not ask his fellow employee, Mr. Lawrenz, and that he did not have any other real basis for the denial (except that the hoist had not been delivered). He excused his oath by referring to the words in the oath he signed "to the best of his knowledge and belief," and [fol. 59] made clear he did not feel any duty with those words to have or seek knowledge or to have any particular basis for relief. He stated that Mr. Goldsmith did not inquire as to the extent of his knowledge. When asked further if anyone associated with Mr. Goldsmith so inquired Mr. Goldsmith instructed him not to answer and he refused to answer.

Louis Robertson, Darso, Robertson & Vandenburgh,
15 North State Road, Arlington Heights, Illinois,
Attorneys for Defendant.

IN THE UNITED STATES DISTRICT COURT

Civil Action No. 60 C 1007

MOTION TO DISMISS—Filed October 22, 1962

Motion

Plaintiff moves this Honorable Court to dismiss this suit with prejudice.

The reasons for the motion are the following:

1. Plaintiff's Patent No. 2,328,655 here in suit has now expired.

2. Plaintiff has learned of no infringements of its patent by defendant prior to the expiration of its patent other than a sale by defendant to the City of Houston, Texas.

3. Plaintiff has no desire to put defendant to the trouble and expense of defending this suit wherein, after careful consideration, plaintiff has concluded that any damages that may be recovered by it by virtue of defendant's in- [fol. 60] fringement at Houston, Texas would probably not be greater than the expenses of plaintiff in prosecuting this suit against defendant.

4. Plaintiff is aware of the crowded calendar of this Court and believes, for the reasons above given, that it is appropriate to have this suit dismissed.

Very respectfully,

Schneider, Dressler, Goldsmith & Clement, Attorneys for Plaintiff.

Dated: October 19, 1962.

IN THE UNITED STATES DISTRICT COURT

Civil Action No. 60 C 1007

MOTION TO AWARD DAMAGES AND ALTERNATIVE MOTION TO AMEND COUNTERCLAIM—Filed November 2, 1962

1. To permit prompt disposition of the entire case, Defendant moves for judgment awarding damages to the Defendant, with provisions for subsequent determination of the amount of the damages, either by subsequent submission to this Court of facts bearing on exemplary damages, or by accounting for actual damages (to be trebled), or both.

2. In the event motion 1 is not granted at this time, Defendant moves that the counterclaim in the answer of the above cause be amended by accepting the accompanying proposed "Amended Counterclaim" in lieu of the original Counterclaim, and that the date of granting this motion can be the date from which the ten days for response by [fol. 61] Plaintiff runs under Rule 15 (a) FRCP.

Defendant believes that the procedure as to briefs set forth in local rule 13 is appropriate for these motions. The accompanying brief includes argument as to these motions. Defendant assumes that unless Plaintiff takes steps to the contrary, or the Court designates differently after the remaining briefs are filed, the above motions will be heard with other motions December 13, 1962.

Louis Robertson, Darbo, Robertson & Vandenburgh, P.O. Box #67, 15 North State Road, Arlington, Heights, Illinois, Attorneys for Defendant.

Certificate of Service

This is to certify that two copies of each of this "Motion to Award Damages and Alternative Motion to Amend Counterclaim" and the accompanying "Amended Counterclaim" were mailed by first-class mail, postage prepaid, to R. Howard Goldsmith, Attorney for Plaintiff, at Schneider, Dressler, Goldsmith & Clements, 1825 Prudential Plaza, Chicago 1, Illinois, this ..... day of November, 1962.

Louis Robertson.

IN THE UNITED STATES DISTRICT COURT

Civil Action—No. 60 C 1007

MEMORANDUM AND ORDER ON DEFENDANT'S MOTION FOR AWARD OF ATTORNEY'S FEES—February 20, 1963

Plaintiff moved for dismissal of this suit, and immediately thereafter defendant moved for the award of attor-
[fol. 62] neys' fees. Subsequent to filing the latter motion, defendant filed other motions.

The authority under which defendant seeks attorneys' fees is 35 U. S. C. §285, which provides:

> "The court in exceptional cases may award reasonable attorney fees to the prevailing party."

The alleged facts upon which defendant deems itself entitled to attorneys' fees are set out in several categories lettered from "a" to "k", the substance may be stated as follows:

> 1. "The filing of the patent application included the usual oath denying knowledge or belief that the invention had been in public use or on sale more than a year before the filing date, which allegations must be deemed false in view of Plaintiff's knowledge of its own delivery, installation and initial public use of the alleged invention more than a year before the filing date."
>
> 2. "The maintenance of this suit for two years after the patent expired, the considerations in Plaintiff's motion to dismiss being as applicable at the beginning of said two years as now."
>
> 3. "Plaintiff's unconscionable reluctance to clearly state the true facts relative to its swing diffusers being on sale, delivered, installed, and in initial use more than one year prior to its application filing date throughout Defendant's successive steps of discovery in this litigation. . . ."

Although the Court's power to grant attorneys' fees is discretionary under the statute, the teachings of the

decisions in this Circuit (as well as other Circuits) require an extremely clear showing that the case is exceptional. In Armour & Co. v. Wilson & Co., Inc., 274 F. 2d 143 (7th Cir., 1960) a suit where the defendant sought attorneys' fees, charging that a fraud had been perpetrated [fol. 63] on the Patent Office in the solicitation of the patent, the Court said thus (at p. 148):

> "In a patent case it was held that clear and definite proof is required to establish fraud on the part of a patentee in soliciting his patent. . . .
>
> "We have reached the same conclusion as to the other charges of fraud. We conclude there is no merit in them because they have not been established by the requisite degree of proof. The Findings and Conclusions of fraud by the District Court are not warranted on this record. They are clearly erroneous and must be and are disapproved.
>
> "The decree of the District Court awarded to the defendant its actual and reasonable attorney fees incurred in the litigation. The basis of this award is not clearly stated. We assume that it was due to the finding of fraud, a charge which we have decided cannot be sustained on this record. Whether or not our assumption is correct, we hold there is no proper basis for an award of attorney fees in this case. Continental Art Co. v. Bertolozzi, 7th Cir., 194 F. 2d 399, 403-404; Laufenberg, Inc. v. Goldblatt Bros., 7th Cir., 187 F. 2d 823, 825."

The Court has reviewed the charges which the defendant believes justify allowance of attorneys' fees and concludes they do not constitute the "exceptional" case contemplated by the statute, 35 U. S. C. §285.

The motion for the allowance of attorneys' fees is therefore hereby

Denied.

Edwin A. Robson, Judge.

Dated: February 20, 1963.

[fol. 64]

IN THE UNITED STATES DISTRICT COURT

[Title omitted]

ORDER—February 20, 1963

Pretrial Conf. (on pdg. motions)
Memo & order combined
Names and Addresses of other counsel entitled to notice and names of parties they represent:

Pursuant to Memorandum filed herewith order defts' motion for allowance of attorneys' fees denied.

Draft

Pretrial conf. held. Order leave to pltff. to dismiss complaint with prejudice and without costs. Order motion for Summary Judgment denied as being moot. Order leave to counterclaim to amend its counterclaim instr. with pltff. to reply or otherwise plead thereto by March 20, and cs. set for rept. on status on April 17, 1963.

Robson, J.

* * * * * * *

IN THE UNITED STATES DISTRICT COURT

[Title omitted]

[fol. 65]

ORDER—February 28, 1963

Enter order amending order of Feb. 20, 1963 by including ruling by Court, on said date denying defendant's motion for award of damages, and said motion hereby denied nunc pro tunc as of said date. Order defendant's motion for further consideration of rulings on Feb. 20, 1963 entered and denied.

* * * * * * *

IN THE UNITED STATES DISTRICT COURT

[Title omitted]

ORDER—May 17, 1963

Ruling on pltffs' motion to dismiss Amended Counterclaim.

Names and Addresses of other counsel entitled to notice and names of parties they represent:

Order pltffs' motion to strike defts counterclaim as amended allowed with deft to file second Amended counterclaim within 20 days and cause contd to June 28, 1963 for rept on status.

Robson, J.

[fol. 66]

IN THE UNITED STATES DISTRICT COURT

Civil Action—No. 60 C 1007

SECOND AMENDED COUNTERCLAIM—Filed June 5, 1963

For its second amended counterclaim in the foregoing Civil Action, Defendant alleges as follows:

13. Plaintiff has submitted itself to the venue of this Court and has a place of business in this district.

14. Plaintiff has voluntarily accepted a dismissal of its Complaint herein with prejudice.

15. Plaintiff (including its predecessor) illegally monopolized interstate and foreign commerce by fraudulently and in bad faith obtaining and maintaining against the public and this defendant its patent in suit No. 2,328,655, well knowing that it had no basis for and had forfeited any rights it might have had to a patent, the elements of fraud and lack of good faith being set forth below.

16. More than one year prior to February 2, 1942, the filing date of the patent in suit:

A. With Plaintiff's participation, there had been installed in the United States, in tanks as set forth in

claim 2 of the patent in suit, all of the equipment defined by claim 2, and all of the equipment defined by the other claims of the patent excepting only a portable hoist for servicing not yet delivered or needed; and said tanks and equipment were in use for the purpose of aerating sewage and were exposed to persons having no obligation of secrecy with respect thereto;

B. The entire of said equipment sold and in use more than one year before the filing date of the application for patent, as set forth in paragraph A, had been sold by Plaintiff and had been installed, under Plaintiff's [fol. 67] supervision, in said tanks, and the assembly was as contemplated and as set forth in all of the patent claims with the sole exception that as to claims 1 and 3 to 6, the hoist (to be used for servicing when needed and constituting the final "means" of each of said claims) had not yet been furnished by Plaintiff, though contracted for;

C. On the site of the sewage treatment plant of which said tanks were a part, cranes were present more than a year prior to the filing date of the patent in suit which cranes did constituute said final "means" (being available if needed for servicing said equipment).

17. In filing the application for the patent in suit, Plaintiff submitted to the Patent Office the usual oath stating with reference to the improvements described and claimed that the applicant "does not know and does not believe that the same was . . . in public use or on sale in the United States for more than one year prior to this application." Patent claim 2 was one of the original application claims. Additional original claims also did not require the hoist. Plaintiff did not inform the Patent Office of the foregoing facts set forth in paragraph 16, although it had full and complete knowledge of said facts when filing said application or had conscious knowledge of some portions thereof and failed to discharge its duty to determine the remainder.

18. By letter of December 18, 1956 (of which a copy is attached to Defendant's Interrogatories 18 to 21), De-

fendant called Plaintiff's attention to the question of public use more than a year prior to the application filing date leading to the patent in suit. In reply, Plaintiff denied any duty to look into the question, and did not divulge to Defendant any of the facts set forth in paragraph 16 and did not take any action toward removing or reducing the monopoly effect of the patent in suit.

[fol. 68] 19. Subsequent to all of the foregoing, Plaintiff filed this suit against Defendant and asserted that the patent in suit was "duly issued," well-knowing that such allegation was without basis. In its initial answer to interrogatories in this suit, Plaintiff failed to admit any of the facts set forth in Paragraph 16, although all of said facts (except the presence of cranes) were shown by papers at Plaintiff's hand in preparation of said answers.

20. Plaintiff has used its patent to restrict and impede competition, in interstate and foreign commerce, in the sale of equipment not covered by the patent in suit (thereby monopolizing trade in said commerce).

21. The acts of Plaintiff complained of deprived Defendant of profitable business Defendant would otherwise have had throughout the period running from shortly after the Defendant was organized in 1946 until the expiration of said patent; the effects continuing even thereafter by virtue of having deprived Defendant of experience it would have had but for Plaintiff's unlawful monopoly and threats of suit, which experience purchasers often require, and having unreasonably and maliciously subjected Defendant to the cost of defending against the Complaint herein.

22. Instances where Defendant had received orders or was low bidder for aerator equipment but lost them because of the patent include:

A. At Tomah, Wisconsin, profit lost, $1,500.

B. At Bergen County, New Jersey, profit lost, $10,600.

C. At Asbridges Bay, Canada, profit lost, $37,000.

D. At Phoenix, Arizona.

E. At Roanoke, Virginia, profit lost, $25,000.

[fol. 69] 23. Plaintiff was unjustly enriched by its operations under said patent at Defendant's expense and to Defendant's damage by reason of the foregoing acts.

Prayers for Relief

Wherefore, Defendant, Walker Process Equipment, Inc., prays:

For adjudication that the patent was sought and maintained, and was here asserted by Plaintiff, with knowledge (denied under oath at the filing of the application) of facts not disclosed to the Patent Office as to Plaintiff's own sales of diffusers, delivery, installation according to the patent and public use thereof, more than a year before the filing date, and that this constitutes a fraud on the Patent Office and on this Court, a violation of antitrust laws, and unjust enrichment of Plaintiff.

For adjudication that Plaintiff's use of the patent to monopolize sale of equipment not the subject of the patent constituted a violation of antitrust laws.

For an award of treble damages and an award of general punitive damages.

For an award of costs, attorney's fees and expenses of this litigation.

Louis Robertson, Darbo, Robertson & Vandenburgh, P.O. Box #67, 15 North State Road, Arlington Heights, Illinois, Attorneys for Defendant.

[fol. 70]

In the United States District Court

Civil Action No. 60 C 1007

Plaintiff's Motion to Dismiss Second Amended Counterclaim—Filed June 19, 1963

Plaintiff, by its attorneys, moves the court pursuant to Rule 12(d)(6), Rules of Civil Procedure, to dismiss defendant's Second Amended Counterclaim because it fails to state a claim against plaintiff upon which relief can be granted under the federal antitrust laws or under any other law or laws.

Max Dressler, R. Howard Goldsmith, Sheldon O. Collen, Attorneys for Plaintiff.

Schneider, Dressler, Goldsmith & Clement, Prudential Plaza, Chicago 1, Illinois, WHitehall 4-4025, Of Counsel.

Friedman, Koven, Salzman, Koenigsberg, Specks & Homer, 1 North LaSalle Street, Chicago 2, Illinois, CEntral 6-8494, Of Counsel.

[fol. 71]

IN THE UNITED STATES DISTRICT COURT

No. 60 C 1007

Transcript of Proceedings—October 2, 1963

had in the above-entitled cause before the Honorable Edwin A. Robson, one of the Judges of said Court, in his courtroom in the United States Courthouse, Chicago, Illinois, on Wednesday, October 2, 1963, at 10:00 o'clock a.m.

Present:

* * * * * * *

OPINION

* * * The Court: On June 19, 1963, plaintiff moved pursuant to Rule 12(b) (6) to dismiss defendant's second amended counterclaim because it "fails to state a claim . . . upon which relief can be granted under the Federal antitrust laws or under any other law or laws."

The complaint had been dismissed with prejudice on plaintiff's motion on 2/20/63.

Heretofore, on May 17, 1963, this Court granted plaintiff's motion to strike defendant's counterclaim as amended, for prolixity.

An examination of the second amended counterclaim reveals that while prolixity has been diminished clarity of statement of the cause of action has not been improved.

Without specifically designating any statutory basis for this Court's jurisdiction, the gist of the second amended counterclaim would seem to be as follows:

Plaintiff has illegally monopolized interstate and foreign commerce through fraudulent procurement of Patent No.

2,328,655. The Patent Office fraud is stated to have been [fol. 72] prior public use more than one year prior to February 2, 1942, the filing date of the patent.

Further, defendant asserts that "Plaintiff has used its patent to restrict and impede competition" in such commerce "in the sale of equipment not covered by the patent in suit, (thereby monopolizing trade in said commerce)."

Defendant alleges that since it was organized in 1946 and until the expiration of the patent and after, plaintiff's acts deprived defendant of business it otherwise would have had, and by "having unreasonably and maliciously subjected the defendant to the cost of defending against the complaint herein."

Defendant cites five instances with asserted profit lost of $74,100, instances "where defendant had received orders or was low bidder for aerator equipment but lost them because of the patent"; and plaintiff was unjustly enriched by its operations under said patent at defendant's expense.

Defendant seeks an adjudication that the patentee had knowledge undisclosed to the Patent Office, constituting fraud, of the prior public use, and for an adjudication that plaintiff's use of the patent to monopolize sale of equipment, not the subject of the patent, constituted a violation of the antitrust laws. It seeks treble damages and an award of general punitive damages, costs, and attorney's fees.

The Court has carefully studied the allegations of the seconded amended counterclaim and concludes that it fails to state a cause of action. Irrespective of a failure to allege diversity, jurisdictional amount, or the precise statutory basis for the second amended counterclaim, the Court is of the opinion that there has been no statement even of an antitrust action.

As hereinbefore noted the defense of fraud in procuring a patent can be the basis for a suit by the United [fol. 73] States, and only the United States, for cancellation or annulment of the patent theretofore issued. It is not usable as a defense in a suit for infringement, although

it has been said that the same facts which constitute the fraud might constitute a defense.

In this case we do not have admitted or adjudicated fraud vitiating the validity of the patent. We have an assertion that there was a prior public use, although one element of the claims in some instance was not present, but that an equivalent means was at hand. Nor is the issue of fraud being raised in defense; the suit in chief has been dismissed.

The issue of fraud is here being used to do indirectly what defendant cannot do directly, namely, procure a cancellation of the patent for fraud. Defendant argues it has been damaged in two respects by an illegal monopoly, a patent invalid because it was fraudulently procured, and a patent invalidly used. This Court does not determine the invalidity of a patent for fraud at the instance of a private litigant.

Defendant's allegation that plaintiff has used its patent in sale of equipment not covered by the patent is defective in that it does not specifically allege that such illegal action caused damage to it, which is essential to a private litigant's cause.

The vagueness of the allegation and its dragnet scope make it meritless as a pleading.

There can be no question that the defense of fraud in the procurement of a patent may not be raised as a defense in a suit for infringement. Thus this Circuit's Court of Appeals stated in Hazeltine Research, Inc. v. Avco Manufacturing Corporation, et al., 227 F. 2d 137, at page 146:

> ". . . it has been held that a person sued for infringement will not be permitted to set up as a de- [fol. 74] fense that the patent was fraudulently obtained, no fraud appearing on its face . . .", citing cases in support thereof.

There are further cases that make the same statement in connection therewith.

There can be no question that there can be a proper allegation in a counterclaim of misuse of a patent in vio-

lation of the antitrust acts as demonstrated by the pleading quoted and found adequate in Dairy Foods Incorporated v. Dairy Maid Products Cooperative, 297 F. 2d 805.

In that case there was involved a conspiracy in violation of Sections 1 and 2 of the Sherman Act through pooling of patents and using the patents in the pool in a manner and with objectives which violated the Sherman Act.

The specific alternatives with which that plaintiff confronted defendant, any of which led to defendant's injury and damages, were held a sufficient allegation to sustain the counterclaim.

In Morton Salt Company v. G. S. Suppiger Company, 314 U.S. 488, the Supreme Court held there was an improper use of the patent monopoly on a machine where the patent monopoly was used to restrain competition in the marketing of the unpatented tablets for use with the patented machines, and to aid in the creation of a limited monopoly in the tablets not within that granted by the patent.

There are three Supreme Court decisions in this area: Mercoid Corporation v. Minneapolis-Honeywell Regulator Company, 320 U.S. 680; Hazel-Atlas Glass Company v. Hartford-Empire Company, 322 U.S. 288, and Precision Instrument Manufacturing Company, et al. v. Automotive Maintenance Machinery Company, 324 U.S. 806.

In the Hazel-Atlas Company decision it was stated at page 251:

> [fol. 75] "To grant full protection to the public against a patent obtained by fraud, that patent must be vacated. It has previously been decided that such a remedy is not available in infringement proceedings, but can only be accomplished in a direct proceeding brought by the Government."

In E. W. Bliss Company v. Cold Metal Process Company, 102 F. 2d 105, it was said at page 110:

> ". . . The rule is well settled that a private litigant cannot by bill in equity have a patent declared void

on the ground that it has been fraudulently obtained. . . ."

The principle is well-established that only the United States can sue to cancel an issued patent for fraud in its procurement. See the discussion of Walker in his Treatise on Patents at Section 233, Volume II, page 1185.

In Mercoid Corporation v. Minneapolis-Honeywell Regulator Company, 320 U.S. 680, the Supreme Court held that an owner of a combination patent may not so use it as to control competition in the sale of an unpatented device, even though the unpatented device may be the distinguishing part of the invention.

In Precision Instrument Manufacturing Company, et al. v. Automotive Maintenance Machinery Company, 324 U.S. 806, the Supreme Court held in a suit for infringement of patents and breach of contracts related thereto that the District Court's findings sustained the judgment of dismissal on the ground of the complainant's unclean hands.

In Electro-Bleaching Gas Company, et al. v. Paradon Engineering Company, 8 F. 2d 890, it was held that a defendant in an infringement suit may not properly raise the issue that the patent was obtained by fraud and deceit. [fol. 76] Inasmuch as the defendant's second amended counterclaim seems to be predicated upon defendant's alleged fraud before the Patent Office, a matter which is beyond the purview of this Court's jurisdiction, the motion of the plaintiff to dismiss is therefore granted.

Plaintiff will prepare an order in accordance therewith. Thank you, gentlemen.

* * * * * * *

In the United States District Court

Civil Action No. 60 C 1007

Order Dismissing Defendant's Second Amended Counterclaim—October 3, 1963

This cause having come on for hearing on October 2, 1963 on plaintiff's motion to dismiss defendant's second amended counterclaim because such second amended counterclaim fails to state a claim against plaintiff upon which relief can be granted under the antitrust laws of the United States, or under any other law or laws, and the court having received the briefs of the parties under Rule 13 of the rules of this court, and having read and reviewed the briefs of counsel, and the court having been fully advised in the premises and having rendered its opinion in open court, it is

Ordered that plaintiff's action to dismiss defendant's second amended counterclaim for failure to state a claim against plaintiff upon which relief can be granted is allowed, and defendant's second amended counterclaim be and it is hereby dismissed without leave to amend, and with prejudice.

[fol. 77] Dated: Oct. 3, 1963.

Enter:

Robson, United States District Judge.

In the United States District Court

Civil Action No. 60 C 1007

Notice of Appeal—Filed October 31, 1963

Notice is hereby given that Walker Process Equipment, Inc., defendant and counterclaimant, in the above captioned action, hereby appeals to the United States Court of Appeals for the Seventh Circuit from:

(a) The order of October 3, 1963 dismissing defendant and counterclaimant's second Amended Counterclaim without leave to amend and with prejudice, and

(b) The order entered February 20, 1963 (as amended February 28, 1963) granting leave to plaintiff to dismiss the Complaint without cost, denying defendant's motion for Summary Judgment, denying defendant's motion for attorneys' fees, denying that defendant's assertions amounted to "unusual circumstances" permitting an award of attorneys' fees and denying defendant's motion for an award of damages.

[fol. 78] The names and addresses of attorneys for plaintiff, counter-defendant are:

Schneider, Dressler, Goldsmith & Clement, Suite 1825, Prudential Plaza, Chicago 1, Illinois,

Friedman, Koven, Salzman, Koenigsberg, Specks & Homer, Suite 1130, 208 South LaSalle Street, Chicago, Illinois.

Louis Robertson, Darbo, Robertson & Vandenburgh, P. O. Box 67, 15 North State Road, Arlington Heights, Illinois,

John W. Hofeldt, Haight, Simmons & Hofeldt, 141 West Jackson Boulevard, Chicago 4, Illinois.

October 31, 1963

[fol. 79] Clerk's Certificate to foregoing transcript (omitted in printing).

[fol. 80] [File endorsement omitted]

[fol. 81]

Appendix to Appellee's Brief—Filed May 11, 1964

IN THE UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF ILLINOIS

EASTERN DIVISION

Civil Action No. 60 C 1007

FOOD MACHINERY AND CHEMICAL CORPORATION, Plaintiff,

v.

WALKER PROCESS EQUIPMENT, INC., Defendant.

AMENDED COUNTERCLAIM—Filed February 20, 1963

For its amended counterclaim in the foregoing Civil Action, Defendant alleges as follows, the first two paragraphs being the paragraphs of the original counterclaim and retaining the numbering thereof:

13. Plaintiff has submitted itself to the venue of this Court and established a controversy under the patent laws by filing this complaint.

14. Paragraphs 8 to 12 of the original Answer are adopted herein by reference as part of the amended counterclaim.

Invalidity Because of Plaintiff's Early Sales

15. The patent in suit is invalid because of statutory bars arising from Plaintiff's contracting to sell, delivering, installing and supervising public use of the swing diffuser assemblies of the patent in suit, more than one year before the application filing date thereof, and contracting to sell a hoist, all as more fully set forth in connection with the Motion for Summary Judgment heretofore filed, and with the further allegations that the form of the hoist was [fol. 82] determined more than one year prior to said filing

date and that means were at hand at the sewage treatment plant where said diffuser assemblies were installed to raise them if need arose.

Unfair Competition and Violation of Antitrust Laws

In particularizing the allegations of paragraph 11 of the original Answer, Defendant alleges:

16. Plaintiff obtained and maintained its patent by virtue of at least technical fraud on the Patent Office, the circumstances indicating, subject to disproof by Plaintiff, that the fraud was willful. There was at least technical fraud in filing the patent application with the usual oath which was inconsistent with facts known to Plaintiff, *i.e.*, facts concerning Plaintiff's own activities in connection with the sale of diffuser units according to the patent in suit, and their installation in sewage treatment aeration tanks more than a year before the application filing date. In the event that Plaintiff would excuse the false filing on the ground that at the time thereof Plaintiff relied on trivial facts such as the nondelivery of the hoist, Plaintiff fraudulently failed to inform the Patent Office that there were major exceptions to the natural meaning of the oath Plaintiff filed. The excuse that the hoist had not been furnished would not be pertinent to claim 2 of the patent, original claim 12, which does not require any means for raising.

16A. Plaintiff failed to act suitably in 1956 when the question of there having been public use by Plaintiff more than a year prior to the application filing date was specifically called to Plaintiff's attention, on behalf of Defendant, per letter attached to Plaintiff's interrogatory to Defendant in this case. Plaintiff replied to said letter but gave no indication of willingness to investigate unless [fol. 83] Defendant disclosed the information it had. Defendant's information or misinformation did not concern the location (Hunter Air Force Base) of the early sale now discovered. This too early sale either was recognized by Plaintiff, or would readily have been detected had Plain-

tiff investigated at that time. As stated in this paragraph and the preceding paragraph, Plaintiff monopolized interstate and foreign commerce.

17. Plaintiff has used its patent to restrict and impede competition, in interstate and foreign commerce, in the sale of equipment not covered by the patent in suit (thereby monopolizing a part of trade in said commerce) as follows:

A. Plaintiff's patent claims in the patent in suit are all combination claims including a sewage treatment tank. Plaintiff has been engaged in the practice of selling unpatented parts for said combination. If its practice can be justified on the ground that some of the equipment it sells is especially adapted for the combination, this special adaptation does not extend to adjuncts such as the air liberating headers mounted on the swing units or compressors, yet Plaintiff's practice has been to tie swing units and such adjuncts together in its bids (including both in a single offer), so that there was no open competition with respect to the adjuncts. Said adjuncts had no special suitability for the combination of the patent as distinguished from prior swing units or fixed aeration units.

B. Plaintiff has also tied its offer of swing assemblies under the patent with equipment not directly related to it, sometimes by a single offer, and sometimes by offering a reduced lump sum price for a group of items including the swing units of the patent.

[fol. 84] Facts About Defendant's Activity and Damage

18. Defendant was organized in 1946 by a group of sanitary engineers who are still its officers. The purpose was to engage in the manufacture and sale of equipment in the field of sewage and water treatment, in as wide a range as practicable. Among the first of the products

sold were mechanical aerators and diffuser tubes for diffusing air in the aeration treatment of sewage. By now Defendant has sold for the aeration of sewage the following products, the sales or offering to sell in each instance beginning at least as early as the year shown for it:

1946 Diffuser Tubes

1946 Impingement Aeration Systems, generally according to Pat. Nos. 2,616,676 and 2,717,774

1946 Rotary Distributors for Trickling Filter Type of Aeration

1946 Mechanical Aerators

1946 Blowers

1946 Headers (mounting and supply pipes) for Diffusers

1946 Risers (supply pipes for supplying the Headers, of fixed nature)

1954 Spargers, usually on Headers and often with Risers (Patent claims now allowed)

1957 Single Pivot Swing Risers

1957 Hoists for Swing Risers

19. In addition, Defendant has sold various types of equipment for use in other treatment phases, in sewage treatment plants using aeration in one phase.

20. Knee-action type swing diffusers would unquestionably have been sold or offered by Defendant soon after organization of the company in 1946 if there had been [fol. 85] no such patent as the patent in suit, 2,328,655. The "ten state standards," adopted in 1949 and widely followed throughout the country, recommended that diffusion equipment be removable for servicing and indicated that this should be mandatory under some conditions. The great majority of diffuser bidding specifications from 1946 to date have required knee-action risers. Defendant tried to get single-pivot swing diffusers accepted as an alternate, but without success except in a few isolated

instances. Defendant's spargers have been actively promoted by Defendant from 1954 to date. They needed much less servicing than diffuser tubes and enabled Defendant to sell some diffuser systems with fixed headers, but even Defendant's sale of spargers was greatly handicapped by its being restrained by said patent, from selling knee-action swing risers. Among other difficulties in the sale of spargers was the fact that even when by great promotional expense Defendant persuaded engineers to specify them, they were often specified with knee-action swing risers. Often the bidding specifications permitted diffuser tubes as an alternate, and Plaintiff would bid the tubes with the risers in such a manner that Defendant was given no chance to supply spargers for use on knee-action swing risers (and headers) furnished by Plaintiff. In more recent years, when spargers had proved their advantages, an appreciable number of bidding specifications specified spargers to the exclusion of tubes, but even then, as they also specified knee-action risers, Defendant was usually unable to sell the spargers. Plaintiff sold direct copies of Defendant's spargers. Sometimes Plaintiff sold these copies "tied" to the risers in the offer of sale, thus precluding Defendant from selling spargers for Plaintiff's risers; and sometimes, when the purchaser's consulting engineer insisted on separate bidding, Plaintiff bid the spargers at a low price effectively excluding profitable sale by Defendant. Such prices can best be explained by Plaintiff [fol. 86] having let the profit portion of the price be largely absorbed by a high price for knee-action risers, or having accepted a lower than usual profit or lack of profit for the purpose of excluding Defendant's sales. No other explanation is known.

Estimate of Profits Lost

21. An estimate of the profits lost by Defendant because of the existence of the patent in suit is $500,000. This is based on the following:

Plaintiff's advertisement dated 10-61 advertises "15,000 swing diffuser aeration units of all models successfully operating from 1937." Defendant esti-

mates that at least two-thirds of these would have been sold in the post war years when Defendant would have been competing, and that Defendant would have sold at least one-fifth of these. In fact, Defendant was, during those years, the only substantial competitor of Plaintiff as to diffusion assemblies and would have expected to sell around half of the units, on that basis, but recognizes that without the patent there would have been other competition. Thus, Defendant estimates it would have sold 2,000 swing diffuser units. Defendant estimates its profit would have been around $250 per unit in a highly competitive market without the patent, thus accounting for the $500,000 estimated gross profit.

Specific Instances of Loss By Defendant

22. There were instances where Defendant had received orders or was low bidder for aerator equipment but lost them because of the patent:

(1) At Tomah, Wisconsin, Defendant was low bidder for mechanical aerators. The City was then persuaded to change to diffused air, specifying knee-action swing diffusers, and because Defendant could not bid such [fol. 87] swing diffusers on account of the patent in suit, Defendant lost this job. The estimated profit thus lost was $1,500.

(2) At Bergen County, New Jersey, in 1959, knee-action swing diffusers with spargers were specified. Defendant was low bidder for spargers only and by negotiation got the order for the remainder of the swing diffusers. The specification required a manufacturer who had successfully built equipment of the same type for at least five years. Defendant's offer under its order from the contractor was disapproved by the Consulting Engineers, the disapproval being dated December 11, 1959. No reason not attributable to the patent is known. The patent could be responsible directly (purchaser's fear of patent troubles although the patent was about to expire), or indirectly (Defen-

dant's lack of experience having resulted solely from fear of the patent in Plaintiff's hands). The estimated loss of profit on this job was $10,600.

(3) At Asbridges Bay, Canada, again shortly before the patent expired, Defendant obtained an order from the contractor for swing diffusers with spargers, as specified. Again the defendant was disapproved directly or indirectly because of the patent. Estimated loss of profit on this job was $37,000.

(4) At Phoenix, Arizona, Defendant had the contractor's order for swing diffusers with carborundum tubes, as specified. The consulting engineer refused approval, again for no stated reason other than lack of experience. Here fear of the patent may have been an element, although this job involved only treatment of water which is not within the claims of the patent, all claims specifying treatment of sewage.

[fol. 88] (5) At Roanoke, Virginia, for 1959 additions to the plant, swing diffusers with spargers were specified. Defendant received the order, but because of the patent, offered single pivot swing diffusers. Tentative approval was given, but after these were furnished, final approval was refused. After the patent expired, Defendant furnished knee-action swing diffusers which have been approved. The estimated loss (cost of furnishing the single swing units, and extra costs dependent upon replacement, not the costs of the final units which would have been furnished in the first place without the patent) is $25,000.

Even Maximum Awards Would Only Partially Heal Defendant's Damage

23. Defendant continues to lose business because engineers, presumably copying specifications furnished by Plaintiff, specify that the manufacturer must have had five years successful experience with the same type of equipment. Recovering attorneys fees and even the lost profits would therefore not fully overcome the damage to Defendant. It would, however, help Defendant try to

minimize said damage by diligent promotion, since it would put Defendant in more nearly the financial position it would have been in had it received said profits.

Plaintiff's Extra $12,000,000-$24,000,000 Profit Under Patent

24. Information reaching Defendant and believed reliable indicates that Plaintiff now sells swing diffusers profitably at prices in the range of $50 per foot of header length, but that in non-competitive conditions before the patent expired, Plaintiff was charging in the range around $150, possibly sometimes higher. Assuming a $15 gross profit per foot now, an assumption believed reasonable, even [fol. 89] a price of $100 per foot ($50 above present competitive prices) would have more than quadrupled Plaintiff's profits; providing a total of $12,000,000 extra profit on its 15,000 diffuser assemblies.

Verification

The undersigned, an officer of the Defendant, Walker Process Equipment, Inc., hereby swears that he has assisted in the preparation of the foregoing paragraphs 18 to 24 and has read the same and believes it to be truthful. The facts in paragraphs 18-20 relative to Defendant are of his own knowledge, and the rest are of his knowledge or on information believed to be reliable, as are the other facts stated not apparent on their face to be from other sources.

A. W. Nelson, V.P.

State of Illinois,
County of Kane, ss.

Subscribed and sworn to before me this 30th day of October, 1962.

Frank Voris, Notary Public.

(Seal)

Prayers for Relief

Wherefore, Defendant, Walker Process Equipment, Inc., prays:

For a declaratory judgment that the patent in suit is invalid and/or is not infringed.

For adjudication that the patent was sought and maintained and here asserted by Plaintiff with knowledge denied under oath of facts not disclosed to the Patent Office as to Plaintiff's own sales of diffusers, delivery, installation according to the patent and public use thereof, more [fol. 90] than a year before the filing date, and that this constitutes a fraud on the Patent Office and on this Court, and a violation of antitrust laws.

For adjudication that Plaintiff's use of the patent to monopolize sale of equipment not the subject of the patent constituted a violation of antitrust laws.

For an award of treble damages and, unless the provable amount of actual damages is adequate, an award of general punitive damages.

For an award of costs, attorney's fees and expenses of litigation.

Louis Robertson, Darbo, Robertson & Vandenburgh, P.O. Box #67, 15 North State Road, Arlington Heights, Illinois, Attorneys for Defendant.

[fol. 91] Clerk's Certificate to foregoing transcript (omitted in printing).

[fol. 92]

IN THE UNITED STATES COURT OF APPEALS

FOR THE SEVENTH CIRCUIT

No. 14466—September Term, 1963

April Session, 1964

FOOD MACHINERY AND CHEMICAL CORPORATION,
Plaintiff-Appellee,

v.

WALKER PROCESS EQUIPMENT, INC., Defendant-Appellant.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

OPINION—July 15, 1964

Before Castle, Kiley and Swygert, Circuit Judges.

KILEY, *Circuit Judge.* The questions before us are whether the district court erred in striking, for failure to state a claim upon which relief could be granted, Rule 12(b)(6), FED. R. CIV. P., the second amended counterclaim of Walker Process Equipment, Inc., which alleges that Food Machinery and Chemical Corporation violated the federal anti-trust laws by maintaining and enforcing a patent which was obtained through fraud upon the Patent Office; and whether the district court abused its discretion in refusing to award Walker attorney fees after dismissing, with prejudice, Food Machinery's infringement suit on the latter's motion. We think the court did not err in either ruling.

The second amended counterclaim alleged that Food Machinery "illegally monopolized interstate and foreign commerce by fraudulently * * * obtaining and maintaining" Lannert patent No. 2,328,655. The fraud alleged was that Food Machinery had knowingly made a false statement

under oath to the Patent Office when it filed the patent [fol. 93] application and stated that it "does not know and does not believe the same [the invention claimed in the application] was * * * in public use or on sale in the United States for more than one year prior to this application;" when it knew that more than one year prior to its application it had sold and installed equipment containing the combination claimed in the patent; and that the acts complained of deprived Walker of profitable business it would otherwise have had, listing several specific orders it lost because of the patent in suit. Walker requested an award of treble damages, punitive damages, costs, attorney fees and expenses.

The court, in an oral opinion, found that Walker was attempting to use the issue of fraud to do indirectly what it could not do directly, *i.e.*, procured a cancellation of the patent in suit; and concluded no claim was stated upon which it could grant relief.

Walker's suit is based on the theory that since it is illegal under the anti-trust laws to extend the protection of a legally issued patent to obtain a monopoly on an unpatented product, *Mercoid Corp.* v. *Mid-Continent Investment Corp.*, 320 U.S. 661 (1944), it should be illegal to secure a monopoly on an unpatentable product by use of a fraudulently obtained patent. Walker candidly admits it "knows of no anti-trust case which has involved the exact violation of the anti-trust laws" alleged in its counterclaim. It concedes that under *Mowry* v. *Whitney*, 81 U.S. (14 Wall.) 434 (1871), only the government may "annul or set aside" a patent, but it contends this is not such a proceeding, asserting that "an attack on the validity of a patent," such as here, is totally dissimilar from "an attempt to cancel a patent." It claims that since fraud on the Patent Office can be determined as a matter of defense without violating the concept that only the United States can bring a suit to cancel a patent, *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Mach. Co.*, 324 U.S. 806 (1945), it must follow that determination of such fraud in an anti-trust action is not barred because

of that concept. However, besides offering an analogy to the cases involving patent misuse, Walker offers no other support of its claim.

[fol. 94] Although patent misuse may be the basis of an independent anti-trust action, *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U.S. 661 (1944), Walker shows us no case in which the issue of fraud on the Patent Office was used affirmatively in an anti-trust action. And although fraud on the Patent Office may bar recovery by a patentee in an infringement action, *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Mach. Co.*, 324 U.S. 806 (1945), *Hazel-Atlas Co.* v. *Hartford-Empire Co.*, 322 U.S. 238 (1944), fraud may not be the basis of having a patent declared invalid in a declaratory judgment action. *E. W. Bliss Co.* v. *Cold Metal Process Co.*, 102 F.2d 105 (6th Cir. 1939), *I.C.E. Corp.* v. *Armco Steel Corp.*, 201 F.Supp. 411 (S.D.N.Y. 1961). Neither *Hazel-Atlas*, nor *Precision*, nor *Mercoid* decided, or hinted that fraud on the Patent Office may be turned to use in an original affirmative action, instead of as an equitable defense.

Since Walker admits that its anti-trust theory depends on its ability to prove fraud on the Patent Office, it follows that the district court was correct in deciding that Walker's second amended counterclaim failed to state a claim upon which relief could be granted.

The district court analyzed Walker's case and the applicable law when ruling on Walker's motion for fees. This analysis obviates the idea of arbitrariness. And we are further of the opinion that the record would not warrant a finding that this is an "exceptional" case. 35 U.S.C. §285.[1] *Aerosol Research Co.* v. *Scovill Mfg. Co.*, —— F.2d —— (7th Cir., No. 14251, decided June 3, 1964).

For the reasons given, the order disallowing the fees, and the judgment on the counterclaim are affirmed.

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[1] 35 U.S.C. §285 provides that "The court in exceptional cases may award reasonable attorney fees to the prevailing party."

[fol. 95]

IN THE UNITED STATES COURT OF APPEALS

FOR THE SEVENTH CIRCUIT

Before Hon. Latham Castle, Circuit Judge, Hon. Roger J. Kiley, Circuit Judge, Hon. Luther M. Swygert, Circuit Judge.

No. 14466

FOOD MACHINERY AND CHEMICAL CORPORATION,
Plaintiff-Appellee,

vs.

WALKER PROCESS EQUIPMENT INC., Defendant-Appellant.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

JUDGMENT—July 15, 1964

This cause came on to be heard on the transcript of the record from the United States District Court for the Northern District of Illinois, Eastern Division, and was argued by counsel.

On consideration whereof, it is ordered and adjudged by this court that the order disallowing the fees, and the judgment of the said District Court on the counterclaim, in this cause appealed from be, and the same are hereby, Affirmed, with costs, in accordance with the opinion of this Court filed this day.

[fol. 96]

IN THE UNITED STATES COURT OF APPEALS

FOR THE SEVENTH CIRCUIT

Before Hon. Latham Castle, Hon. Roger J. Kiley, Hon. Luther M. Swygert.

[Title omitted]

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

ORDER DENYING PETITION FOR REHEARING—August 14, 1964

It Is Hereby Ordered by the Court that the petition for rehearing of this cause be, and the same is hereby, Denied.

[fol. 97] Clerk's Certificate to foregoing transcript (omitted in printing).

[fol. 98]

SUPREME COURT OF THE UNITED STATES

No. 602, October Term, 1964

WALKER PROCESS EQUIPMENT, INC., Petitioner,

vs.

FOOD MACHINERY AND CHEMICAL CORPORATION.

ORDER ALLOWING CERTIORARI—January 18, 1965

The petition herein for a writ of certiorari to the United States Court of Appeals for the Seventh Circuit is granted.

And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.

IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1964.

No. [redacted] 13

WALKER PROCESS EQUIPMENT, INC.,
Petitioner,

vs.

FOOD MACHINERY AND CHEMICAL CORPORATION,
Respondent.

PETITION FOR THE WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE 7TH CIRCUIT

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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, A. D. 1964.

No.

WALKER PROCESS EQUIPMENT, INC.,
Petitioner,

vs.

FOOD MACHINERY AND CHEMICAL CORPORATION,
Respondent.

PETITION FOR THE WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

Petitioner prays that a writ of certiorari issue to review the judgment of the U. S. Court of Appeals for the Seventh Circuit entered on July 15, 1964.

OPINIONS BELOW

The opinions of the District Court for the Northern District of Illinois (Def. App. 61, 71),* are not reported. The opinion of the Court of Appeals for the Seventh Circuit printed in Appendix A, is reported at 335 F. 2d 315; 142 USPQ 192.

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* All such record citations are to the Appendix to Appellant's Brief filed with the Court of Appeals for the Seventh Circuit.

JURISDICTION

The judgment of the Court of Appeals for the Seventh Circuit was entered on July 15, 1964 (Appendix B). A petition for rehearing was denied on August 14, 1964 (Appendix C). Jurisdiction of this Court is invoked under Title 28 U.S. Code, Section 1254 (1).

QUESTIONS PRESENTED

Only questions of law are here presented, the first two arising by dismissal of a pleading* on motion for failure to state a claim on which relief can be granted:

1. Whether it is possible for a person injured in his business by a fraudulently secured patent monopoly on an unpatentable product to have a private claim for damages, the fraud comprising concealing from the Patent Office, and denynig under oath, the facts of the patentee's own invalidating prior sales and use.

2. Whether a monopoly based on a fraudulently procured patent is exempted and shielded from the clearly expressed prohibitions of Section 2 of the Sherman Act by the mere existence of the patent which is the fraudulent instrument of monopoly.

3. Whether a patent infringement action, wherein it is established by the defendant that the patent in suit was obtained by the concealment and false denial by the patent owner of its own invalidating sales and use form the Patent Office and in which action the patent owner attempts to conceal the facts of its conduct, is not an "exceptional case" within the provisions of Title 35 US Code, Section 285.

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* The pleading is a counterclaim filed by defendant-petitioner in a patent infringement suit. The complaint stands dismissed *with* prejudice on plaintiff-respondent's own motion before trial. Thus, the District Court did not have the benefit of trial exposure to the proofs which established all allegations of the counterclaim save that of damage.

STATUTES HERE INVOLVED

Sherman Act, Section 2 (15 U.S. Code 2):

"Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding fifty thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court."

Clayton Act, Section 4 (15 U.S. Code 15):

"Any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee."

United States Patent Code, Sec. 285 (35 U.S. Code 285):

"The Court in exceptional cases may award reasonable attorney fees to the prevailing party."

Patent Code In Effect In 1942 (Rev. Stat. 4886; 35 U.S. Code 31, found in 3rd Vol., 35 USCA, p. 817):

"Any person who has invented or discovered any new and useful art, machine, manufacture, or composition of matter, or any new and useful improvements thereof, or who has invented or discovered and asexually reproduced any distinct and new variety of plant, other than a tuber-propagated plant, not known or used by others in this country, before his invention or discovery thereof, and not patented or de-

scribed in any printed publication in this or any foreign country, before his invention or discovery thereof, or more than one year prior to his application, and not in public use or on sale in this country for more than one year prior to his application, unless the same is proved to have been abandoned, may, upon payment of the fees required by law, and other due proceeding had, obtain a patent therefor.

STATEMENT OF THE CASE

Petitioner, Walker Process Equipment, Inc. (Walker), and respondent, Food Machinery and Chemical Corporation (FMC), are competitors in the sale of equipment used in sewage treatment plants for the treatment of sewage.

On June 24, 1960, FMC brought suit in the Northern District of Illinois for the alleged infringement of United States Patent No. 2,328,655 on knee-action swing diffusers (Def. App. 8). The patent had issued to FMC on September 7, 1943 on the application it had filed in the name of its employee Lannert (Def. App. 15). When the suit was filed, the Lannert patent monopoly was due to expire in two and one-half months. FMC had had virtually no competition in the sale of equipment under the patent throughout the life of the patent (Def. App. 54).

Four years before the infringement action was filed, Walker asked FMC to investigate a rumor that FMC had made public use of the subject matter of the Lannert patent more than a year before filing application for patent. FMC denied any duty to investigate (Def. App. 17, 67).

After the infringement action was brought, FMC attempted to conceal the facts showing its fraud from the Court and from Walker. Walker submitted interrogatories inquiring as to the dates of first shipment and installation and testing of equipment covered by the patent.

The answer as to shipment was "between December 6, 1940 and February 19, 1941", thus bracketing the critical date of February 2, 1941 (Def. App. p. 14). The answer as to date of first testing was "about February 28, 1941" (Def. App. p. 14).

FMC has admitted that the documents showing the actual specific dates were in the office of its counsel where the answers were prepared (Def. App. 31). It seems apparent that such documents were the only source of the evasive answers. Asked informally for more exact answers, FMC stated the dates were as specific as possible and that they could not be more specific "at this time" (Def. App. 29). But when the documents were eventually produced, the specific dates were readily apparent; shipment and installation in December of 1940, and first testing was at least as early as January 20 (Def. App. 26).

The evasion continued with respect to questions seeking to confirm interpretation of the documents and to establish related facts. FMC's manager of digestion equipment (Forrest), who swore to false or grossly evasive answers thereto, defended himself on oral deposition taken by Walker on the ground that his oath was limited to the "best of my knowledge" (Def. App. 49). He admitted that his knowledge was "very, very slim" (Def. App. 50); that he had not been asked the extent of his knowledge when the answers were prepared and that he had not sought the facts from an FMC employee who did have knowledge (Def. App. 49-50).

After these facts had been established by Walker, FMC moved to dismiss its patent infringement complaint, with prejudice (Def. App. 59). Walker moved for an allowance of its attorney's fees (Def. App. 55). This was denied on the ground that the case was not an unusual case. After Walker's first amended counterclaim setting forth the facts uncovered had been dismissed for prolixity,

Walker amended (Def. App. 66-69) to set forth such facts more briefly and alleged that FMC had:

> "15. * * * illegally monopolized interstate and foreign commerce by fraudulently* and in bad faith obtaining and maintaining against the public and this defendant its patent in suit No. 2,328,655, well knowing it had no basis for and had forfeited any rights it might have had to a patent * * *"

It was also alleged that FMC:

> "20. * * * has used its patent to restrict and impede competition in interstate and foreign commerce, in the sale of equipment not covered by the patent in suit (thereby monopolizing trade in said commerce)."

The counterclaim further alleged (Para. 21) that FMC's actions in so obtaining and maintaining the Lannert patent had deprived Walker of profitable business it would otherwise have had, that the effects of such acts continued beyond the expiration of the Lannert patent; and set forth (para. 22) specific orders for equipment that Walker had lost because of the patent and the profits lost thereon.

Paragraph 23 of the counterclaim alleged that FMC:

> "* * * was unjustly enriched by its operations under said patent at Defendant's (Walker's) expense * * *"

On motion of FMC, the second amended counterclaim was dismissed with prejudice and without leave to amend, the District Court indicating that its decision was based on its view that there was a lack of legal basis for the claim for relief, rather than pleading deficiencies that could be cured by further amendment (Def. App. 76).

The principal basis for the District Court's holding that a claim for relief was not stated, was that it "lacked jurisdiction" to determine FMC's alleged fraud on the Patent Office other than in a suit by the United States to

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* The fraud is spelled out in more detail in counterclaim paragraph 17 (Def. App. 67).

cancel the patent (Def. App. 76). The Court of Appeals for the Seventh Circuit affirmed. It held that while, under this Court's decisions in *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Machine Co.*, 324 U.S. 806 and *Hazel-Atlas Co.* v. *Hartford Empire Co.*, 322 U.S. 238, "fraud on the Patent Office may bar recovery by a patentee in an infringement action," neither of those decisions, nor that of this Court in *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U.S. 661, "decided, or hinted that fraud on the Patent Office may be turned to use in an original affirmative action, instead of as an equitable defense." (Appendix A p. 3a)

This petition for the writ of certiorari seeks a review of the judgment of the Court of Appeals based on that decision.

REASONS FOR GRANTING THE WRIT

1. Without action by this Court, patents may be procured by an applicant's fraudulent representations to the Patent Office, and the illegal monopoly thus obtained asserted against the public with impunity. The public importance of this consideration pervades the whole of this petition.

The Court of Appeals below has determined that fraud practiced on the Patent Office gives rise to no affirmative action for relief for one damaged by the illegal monopoly. This holding appears to be in direct conflict with the applicable decision of this court in *Shawkee Mfg. Co.* v. *Hartford Co.*, (1944), 322 U.S. 271.*

Shawkee is a companion case to *Hazel-Atlas Co.* v. *Hartford-Empire Co.*, (1944), 322 U. S. 238. In *Shawkee*, this Court stated the basis for relief granted in the *Hazel-Atlas*

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* The alternative possibility that the Court of Appeals found this case inapposite, for reasons it did not point out, would present an equally compelling alternative reason for review which is discussed in Reason 2.

case to be (322 U.S. 272) "* * * Hartford's proven frauds in connection with obtaining and enforcing * * *" Hartford's patent.

The sole difference between the *Hazel-Atlas* and *Shawkee* cases was that, in the latter, the Court of Appeals, in affirming a judgment of infringement against Shawkee, had not relied upon the spurious Clark article, but relied on its earlier opinion affirming a similar decree aganst Hazel-Atlas wherein that article was quoted. This Court directed that Shawkee be granted the same relief as granted Hazel-Atlas, i.e., relief from the judgment of infringement.

In *Shawkee,* it was further prayed (322 U.S. 273-4):

> "* * * that a master be appointed by the Circuit Court of Appeals to render an accounting of costs incurred in these and former proceedings, moneys paid by them to Hartford pursuant to the challenged judgments, and damages sustained by them because of Hartford's unlawful use of its patent. * * *"

This Court did not hold that such relief is barred because of the issuance of the fraudulently obtained patent or because only the United States can sue to cancel an issued patent. To the contrary, this Court held in *Shawkee* that (P. 247):

> "* * * Whether this type of relief will be granted must depend upon further proceedings in the District Court which entered the judgment of infringement."

and directed the Court of Appeals to (p. 274):

> "* * * permit Shawkee and the others to bring such further proceedings as may be appropriate in accordance with their prayer for relief."

In the case at bar, the counterclaim under consideration alleges and charges respondent with "fraudulently, and in bad faith obtaining and maintaining against the

public and this defendant its patent in suit * * *" (Def. App. 66) (para. 15). The Court of Appeals held that the counterclaim "failed to state a claim upon which relief could be granted" (Appendix A p. 3a).

Subsequent proceedings in the *Shawkee* litigation (*Hartford Co.* v. *Shawkee Mfg. Co.*, 3 Cir., 1947, 163 F.2d 474) do not indicate the theory upon which additional relief was granted to Shawkee, but do disclose the granting of affirmative relief. If this petitioner is entitled to relief under any theory of law, the Court of Appeals erred in affirming dismissal of the counterclaim for failure to state a claim upon which relief could be granted. *Conley* v. *Gibson*, 355 U.S. 41, 47-48. The decision below is in direct conflict with this Court's decision in *Shawkee*.

2. In the view of the Court of Appeals below, the questions here presented have not been settled by the Supreme Court. The opinion of the Court of Appeals reveals that the basis of its decision was the negative factor of the absence, in that Court's view, of precedent in this Court's opinions for a holding that fraud on the Patent Office could be the basis for affirmative relief for one damaged as a consequence thereof. Assuming the Court of Appeals to be correct, despite the decisions of this Court in *Shawkee** and in *Mercoid Corp.* v. *Mid-Continent Investment Co.*, (1944), 320 U.S. 661 and the enactment by Congress of the explicit prohibitions of Section 2 of the Sherman Act, this petition presents for decision an important question of Federal law, which has not been, but should be, settled by this Court.

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* Not mentioned in the opinion of the Court of Appeals, though its absence, despite presentation thereof in Petitioner's briefs, was called to the Court's attention in the Petition for Rehearing.

The issue of the integrity of the patent system and the public interest therein cannot be more succinctly presented than it was by this Court in *Precision Co.* v. *Automotive Co.*, (1944), 324 U.S. 806, 818, as follows:

> "* * * Those who have applications pending with the Patent Office or who are parties to Patent Office proceedings have an uncompromising duty to report to it all facts concerning possible fraud or inequitableness underlying the applications in issue. Cf. *Crites, Inc.* v. *Prudential Co.*, 322 U.S. 408, 415. This duty is not excused by reasonable doubts as to the sufficiency of the proof of the inequitable conduct nor by resort to independent legal advice. Public interest demands that all facts relevant to such matters be submitted formally or informally to the Patent Office, which can then pass upon the sufficiency of the evidence. Only in this way can that agency act to safeguard the public in the first instance against fraudulent patent monopolies. Only in that way can the Patent Office and the public escape from being classed among the 'mute and helpless victims of deception and fraud.' *Hazel-Atlas Glass Co.* v. *Hartford-Empire Co., supra,* 246."

The opinion below holds that one damaged as a result of deception and fraud practiced on the Patent Office has no remedy. The effect is that one who has succeeded in such practices and thereby obtained a patent is shielded by that grant from the reach of the anti-trust laws or any other law which would grant redress to an injured party.

3. In holding that the counterclaim did not state a claim for relief under the anti-trust laws the Court of Appeals referred to a concession by petitioner that, under the decision in *Mowry* v. *Whitney*, (1871), 81 U.S. (14 Wall.) 434, only the Government may annul or set aside a patent. A non-sequitor, that therefore the Courts lack any other jurisdiction as to fraudulent patents, was the basis for the District Court's opinion affirmed by the Court

of Appeals. This was denying the anti-trust counterclaim because the patent law gave no remedy, ignoring the anti-trust law, and this is in violation of this Court's contrary holding in *Mercoid Corp.* v. *Minneapolis Honeywell Corp.* (1944), 320 U.S. 680, 684.

Judging it under the anti-trust laws, the counterclaim clearly states a claim for relief under Section 2 of the Sherman Act. If an attempt to secure a monopoly on an *unpatented* product *by use of a patent* may be illegal under the anti-trust laws, it would seem at least logical that an attempt to secure a monopoly on an *unpatentable* product *by use of fraud* would also be illegal under those laws.

The concurring opinion of Mr. Justice White in *United States* v. *Singer Mfg. Co.*, 374 U.S. 174, 200, regards the existence of a patent as no impediment to application of the prohibitions of Section 1 of the Sherman Act. The same reasoning must equally apply where the violation charged is of the provisions of Section 2. The counterclaim herein alleges that respondent fraudulently and in bad faith obtained a patent and maintained it against the public and the petitioner, to petitioner's damage. That charge makes out a claim for relief. By the very act of seeking a patent on what respondent, by its sales more than one year before application made unpatentable, respondent sought to monopolize that part of commerce represented by the patent coverage. The patent itself was the monopoly. The monopoly represented by a patent is legal only if the patent laws are used in good faith. If fraudulently procured, the patent cannot render protection from the anti-trust laws to the monopoly it represents. Such a monopoly is illegal, and within the purview of the anti-trust laws.

4. The importance of a decision on the questions here presented is demonstrated by two recent and additional decisions of the Court of Appeals for the Seventh Circuit each involving fraud on the Patent Office: *Aerosol Research Company* v. *Scovill Manufacturing Co.*, 7 Cir., 1964,

334 F.2d 751, 756 and *Locklin* v. *Switzer Brothers, Inc.*, 7 Cir., 1964, 335 F.2d 331. A petition for the writ of certiorari in the latter case is presently before this Court (*Locklin* v. *Switzer Brothers, Inc.*, No. 581).

From those cases, the case at bar and those previously before this Court, the practice of fraud on the Patent Office, or at least the charge thereof, is not of infrequent occurrence. If the Court of Appeals in the case at bar is correct in its view that the only deterrent heretofore recognized by this Court is the possibility of cancellation proceedings brought by the Government, it is apparent that that deterrent has not been successful. Moreover, such proceedings are at best ineffective since the danger of detection is slight and, when detected, the fraud-feasor retains his spoils thus gained up to the moment of cancellation. The person sustaining actual damage by the monopoly thus fraudulently obtained is in the untenable position of being wronged but having no remedy. The only hope of real deterrence from such practices is by the subjection of the fraud-feasor to the penalties prescribed by the anti-trust laws. The very fact that such practice is by clear terms within the anti-trust laws compels their application.

5. The question of whether an infringement action brought on a patent procured by fraud is an "exceptional" case within the meaning of Title 35 U.S.C., Section 285 permitting the allowance of attorney's fees to the prevailing party in patent litigation has not been passed on by this Court. If the holding of the Court below directed to that issue is permitted to stand, an unintended effect might be interpretation of it as condoning fraud. This alone compels action by this Court.

The Court of Appeals below had the question of an award of attorney's fees before it in a previous case, *Armour & Co.* v. *Wilson & Co.*, 7 Cir., 1960, 274 F.2d 143. Therein it set aside findings of the District Court of fraud practiced on the Patent Office* on the ground that they were not established by the requisite degree of proof. The District Court's award of attorney's fees was reversed.

Relying on that authority, the District Court in the instant case (Def. App. 63) refused to award attorney's fees even though the record before it contanied the admission of FMC that the equipment of one claim was "sold, delivered and installed in aeration tanks by January 1, 1941" (Def. App. 30-31), which information was withheld and concealed from the Patent Office.

Even if the District Court's conclusion, contrary to clear fact, were to be accepted, as it was by the Court of Appeals below, there would still be a conflict of law as compared to Pennsylvania, where the law is stated in *Stock Equipment* v. *Beaumont Birch Co.*, ... F.Supp. ....., 1963, E.D. Pa., 140 USPQ 134, 137, as follows:

> "But whether Stock's Patent Office activities were motivated by a deliberate desire to deceive, or are assessed in a more charitable light, is not too important. Whatever be the true reason, it is fair to conclude that the 150 patent would not have issued if the Patent Office had been apprised of defendant's earlier valve. Even though Stock be given the benefit of the doubt, the fact remains that the trouble and expense which defendant has been put to in defending the present suit has been the result of Stock's

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* Findings of fact that fraud had been committed on the Patent Office, made by another judge of the District Court for the Northern District of Illinois, were also set aside by the Court of Appeals below in its more recent decision in *Aerosol Research Company* v. *Scovill Manufacturing Co.*, 7 Cir., 1964, 334 F.2d 751, 756 (See p. 11 above).

inexcusable conduct in his patent prosecution. Under the circumstances it is grossly unjust that defendant should bear the burden of the litigation. The case is an exceptional one within the purview of 35 U.S.C. Sec. 285. Equity requires that plaintiff pay reasonable attorneys fees to defendant. They will be awarded in an amount to be determined after the judgment entered hereon becomes final."

If the correct standard as to what is an "exceptional case" is even near that of the Pennsylvania District Court, (indeed, unless the whole history here is "ordinary") it becomes apparent that the court below applied the wrong standard. This is not a matter of discretion, because the courts below did not reach the point of discretion, but found the case not exceptional.

CONCLUSION

For the foregoing reasons, petitioner respectfully requests that the Petition for Certiorari be granted.

Respectfully submitted,

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APPENDIX A

In The
UNITED STATES COURT OF APPEALS
For The Seventh Circuit

No. 14466 September Term, 1963 April Session, 1964

Food Machinery and Chemical Corporation, *Plaintiff-Appellee,* v. Walker Process Equipment, Inc., *Defendant-Appellant.*	Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

July 15, 1964

Before Castle, Kiley and Swygert, *Circuit Judges.*

Kiley, *Circuit Judge.* The questions before us are whether the district court erred in striking, for failure to state a claim upon which relief could be granted, Rule 12(b)(6), Fed. R. Civ. P., the second amended counterclaim of Walker Process Equipment, Inc., which alleges that Food Machinery and Chemical Corporation violated the federal anti-trust laws by maintaining and enforcing a patent which was obtained through fraud upon the Patent Office; and whether the district court abused its discretion in refusing to award Walker attorney fees after dismissing, with prejudice, Food Machinery's infringement suit on the latter's motion. We think the court did not err in either ruling.

The second amended counterclaim alleged that Food Machinery "illegally monopolized interstate and foreign commerce by fraudulently * * * obtaining and maintaining" Lannert patent No. 2,328,655. The fraud alleged was that Food Machinery had knowingly made a false statement under oath to the Patent Office when it filed the patent application and stated that it "does not know and does not believe the same [the invention claimed in the application] was * * * in public use or on sale in the United States for more than one year prior to this application;" when it knew that more than one year prior to its application it had sold and installed equipment containing the combination claimed in the patent; and that the acts complained of deprived Walker of profitable business it would otherwise have had, listing several specific orders it lost because of the patent in suit. Walker requested an award of treble damages, punitive damages, costs, attorney fees and expenses.

The court, in an oral opinion, found that Walker was attempting to use the issue of fraud to do indirectly what it could not do directly, *i.e.*, procure a cancellation of the patent in suit; and concluded no claim was stated upon which it could grant relief.

Walker's suit is based on the theory that since it is illegal under the anti-trust laws to extend the protection of a legally issued patent to obtain a monopoly on an unpatented product, *Mercoid Corp.* v. *Mid-Continent Investment Corp.*, 320 U.S. 661 (1944), it should be illegal to secure a monopoly on an unpatentable product by use of a fraudulently obtained patent. Walker candidly admits it "knows of no anti-trust case which has involved the exact violation of the anti-trust laws" alleged in its counterclaim. It concedes that under *Mowry* v. *Whitney*, 81 U.S. (14 Wall.) 434 (1871), only the government may "annul or set aside" a patent, but it contends this is not such a proceeding, asserting that "an attack on the validity of a patent," such as here, is totally dissimilar from "an attempt to cancel a patent." It claims that since fraud on the Patent Office can be determined as a matter of defense without violating the concept that only the United States can bring a suit to cancel a patent, *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Mach. Co.*, 324 U.S. 806 (1945), it must follow that determination of

such fraud in an anti-trust action is not barred because of that concept. However, besides offering an analogy to the cases involving patent misuse, Walker offers no other support of its claim.

Although patent misuse may be the basis of an independent anti-trust action, *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U.S. 661 (1944), Walker shows us no case in which the issue of fraud on the Patent Office was used affirmatively in an anti-trust action. And although fraud on the Patent Office may bar recovery by a patentee in an infringement action, *Precision Instrument Mfg. Co.* v. *Automatic Maintenance Mach. Co.*, 324 U.S. 806 (1945), *Hazel-Atlas Co.* v. *Hartford-Empire Co.*, 322 U.S. 238 (1944), fraud may not be the basis of having a patent declared invalid in a declaratory judgment action. *E. W. Bliss Co.* v. *Cold Metal Process Co.*, 102 F.2d 105 (6th Cir. 1939), *I.C.E. Corp.* v. *Armco Steel Corp.*, 201 F.Supp. 411 (S.D.N.Y. 1961). Neither *Hazel-Atlas*, nor *Precision*, nor *Mercoid* decided, or hinted that fraud on the Patent Office may be turned to use in an original affirmative action, instead of as an equitable defense.

Since Walker admits that its anti-trust theory depends on its ability to prove fraud on the Patent Office, it follows that the district court was correct in deciding that Walker's second amended counterclaim failed to state a claim upon which relief could be granted.

The district court analyzed Walker's case and the applicable law when ruling on Walker's motion for fees. This analysis obviates the idea of arbitrariness. And we are further of the opinion that the record would not warrant a finding that this is an "exceptional" case. 35 U.S.C. §285.[1] *Aerosol Research Co.* v. *Scovill Mfg. Co.* .... F.2d .... (7th Cir., No. 14251, decided June 3, 1964).

For the reasons given, the order disallowing the fees, and the judgment on the counterclaim are affirmed.

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[1] 35 U.S.C. §285 provides that "The court in exceptional cases may award reasonable attorney fees to the prevailing party."

APPENDIX B

UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT
Chicago 10, Illinois
Wednesday, July 15, 1964

Before

Hon. Latham Castle, Circuit Judge
Hon. Roger J. Kiley, Circuit Judge
Hon. Luther M. Swygert, Circuit Judge

FOOD MACHINERY AND CHEMICAL CORPORATION, *Plaintiff-Appellee,* vs. WALKER PROCESS EQUIPMENT, INC., *Defendant-Appellant.* No. 14466	Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

This cause came on to be heard on the transcript of the record from the United States District Court for the Northern District of Illinois, Eastern Division, and was argued by counsel.

On consideration whereof, it is ordered and adjudged by this court that the order disallowing the fees, and the judgment of the said District Court on the counterclaim, in this cause appealed from be, and the same are hereby, AFFIRMED, with costs, in accordance with the opinion of this Court filed this day.

APPENDIX C

UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT
Chicago, Illinois, 60610
Friday, August 14, 1964

Before

Hon. Latham Castle
Hon. Roger J. Kiley
Hon. Luther M. Swygert

FOOD MACHINERY AND CHEMICAL CORPORATION, *Plaintiff-Appellee,* vs. WALKER PROCESS EQUIPMENT, INC., *Defendant-Appellant.* No. 14466	Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

It Is Hereby Ordered by the Court that the petition for rehearing of this cause be, and the same is hereby, DENIED.

In the Supreme Court of the United States

OCTOBER TERM, 1964

No. 602

WALKER PROCESS EQUIPMENT, INC., PETITIONER

v.

FOOD MACHINERY AND CHEMICAL CORPORATION

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

MEMORANDUM FOR THE UNITED STATES AS AMICUS CURIAE IN SUPPORT OF THE PETITION FOR CERTIORARI

The principal issue in this case is whether a person injured in his business by a competitor's possession and enforcement of a patent obtained by fraud on the Patent Office may maintain an action for treble damages under the antitrust laws, on the theory that such conduct constitutes monopolization in violation of Section 2 of the Sherman Act.[1] The Seventh Circuit held that a counterclaim based on that theory

[1] Petitioner also asks this Court to decide, in its third question presented, whether the prevailing party in an infringement action brought on a fraudulently procured patent can recover attorney's fees under 35 U.S.C 285 (Pet. 2, 12–14). We express no view on this question.

757-035—64

does not state a claim upon which relief can be granted, since only the United States can bring an action to annul a patent on the ground of fraud (335 F. 2d 315, 316; Pet. 2a, 3a).

The decision thus raises important questions that ought to be reviewed by this Court. Although there is no evidence accurately revealing how often fraud has been practiced by patentees in procuring the issuance of a patent, there is concern that this is a significant recurring problem.[2] Such frauds prejudice the public and seriously restrict a free competitive economy, not only because of the direct suppression of competition resulting from threatened and actual suits for infringement, but also because patents are frequently the basis for agreements between competitors such as assignments and licenses. The Patent Office has only limited facilities for investigating the

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[2] A recent report of a Senate Subcommittee on Patents, Trademarks, and Copyrights expressed concern about fraud and other unfairness in proceedings before the Patent Office. S. Rep. No. 97, 86th Cong., 1st Sess., pp. 6–9. Last year the Federal Trade Commission dealt with widespread restraints upon competition in an important industry traceable to a patent obtained through misrepresentations and deliberate withholding of material information from a patent examiner. *American Cyanamid Co.*, 3 Trade Reg. Rep. ¶ 16,527 (Dkt. No. 7211). See also, Cullen & Vickers, *Fraud in the Procurement of a Patent*, 29 Geo. Wash. L. Rev. 110; Keaveney, *Fraud in the Procurement of a Patent as a Defense to Infringement*, 33 J. Pat. Off. Soc'y 482. Cf. H. Rep. No. 1983, 87th Cong., 2d Sess., pp. 1, 4, on Public Law 87–831, 76 Stat. 958, which requires that settlements of patent interference proceedings be filed with the Patent Office.

representations made by applicants and has no authority to annul a patent after it is issued. The Department of Justice seldom learns of such incidents in a way that enables it to act effectively. A decision holding that one who has suffered damage as a result of the suppression of competition under an invalid patent procured by fraud may maintain an antitrust action charging illegal monopolization would be an important complement to governmental action; for such a private remedy would bring to light frauds which now pass undiscovered. It would also discourage misrepresentation to the Patent Office, and infringement suits upon patents thus obtained.

Accordingly, it is respectfully submitted that the petition for a writ of certiorari should be granted with respect to the first and second questions presented.

ARCHIBALD COX,
Solicitor General.

DECEMBER 1964.

U.S. GOVERNMENT PRINTING OFFICE: 1964

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List Of Authorities Cited.

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EXPLANATION OF TERMS AND ABBREVIATIONS

Petitioner — **Walker Process Equipment, Inc. (Defendant-Counterclaimant, Appellant in the Court of Appeals)**

Respondent — **Food Machinery and Chemical Corporation (Plaintiff-Counterdefendant, Appellee in the Court of Appeals)**

PTN — **Petition for Writ of Certiorari**

DA — **Defendant-Appellant's Appendix**

PA — **Plaintiff-Appellee's Appendix**

R — **Record in Court of Appeals**

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, A. D. 1964.

No. 602

WALKER PROCESS EQUIPMENT, INC.,

Petitioner

vs.

FOOD MACHINERY AND CHEMICAL CORPORATION,

Respondent

BRIEF OF RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

The Petition sets forth no reason for the Court to exercise its certiorari jurisdiction.

In its original counterclaim (the first of three counterclaims), Petitioner alleged:

> "11. Defendant, Walker Process Equipment, Inc., asserts that the patent in suit is unenforceable because Plaintiff comes to court with unclean hands with respect to the patent in suit and is therefore not entitled to relief. Defendant, Walker Process Equipment, Inc., asserts that this also constitutes a violation of the antitrust laws." (DA 11)

Petitioner seeks to enlist the Court's interest by devoting a considerable portion of its petition to an attempt to establish fraud by Respondent. The alleged fraud consists of Petitioner's claim that the inventor falsely stated in his patent application that there was no prior use or sale of the subject improvements within one year from the date of the application. Although Respondent categorically denies the charge of fraud on the Patent Office, the question of proof of fraud is not before this Court.

There is nothing involved at this stage of the proceedings except the legal sufficiency of Petitioner's thrice remodelled counterclaim, which seeks to convert a defense of unenforceability of a patent into an affirmative action for treble damages under the federal antitrust laws.

CITATION TO OPINION BELOW

The opinion of the Court of Appeals for the Seventh Circuit is reported at 335 F. 2d 315.

JURISDICTION

Petitioner has sought to invoke this Court's jurisdiction pursuant to the provisions of 28 U.S.C. sec. 1254(1).

STATUTES INVOLVED

Petitioner contends (PTN 3) that the following statutes are involved:

> Section 2 of the Sherman Act (15 U.S.C. sec. 2) prohibiting monopolies, attempts to monopolize and conspiracies to monopolize.
>
> Section 4 of the Clayton Act (15 U.S.C. sec. 15) providing treble damage actions for persons injured in their business or property by reason of anything forbidden in the antitrust laws.

Section 285 of the United States Patent Code (35 U.S.C. sec. 285) providing that "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party."

QUESTIONS PRESENTED

Question No. 1. as stated by Petitioner (PTN 2), if it is to be related to the particulars of the instant case, at best raises a question of whether a patentee's alleged fraudulent procurement of a patent (assuming injury to a third party thereby), affords a third party a private action against the patentee for treble damages under the federal antitrust laws.

Petitioner omits from Question No. 1. all reference to the federal antitrust laws, and seeks to confine the question to some sort of non-statutory claim for damages. However, the stricken counterclaim must stand or fall as a claim for relief under the antitrust laws.* The only other theory of the claim offered by Petitioner, that it was an action for unjust enrichment, was briefed in the District Court and abandoned by Petitioner in the Court of Appeals.

With the statement of Question No. 2 (PTN 2) it becomes perfectly apparent that what Petitioner really desires is a determination that one who has fraudulently procured a patent has, without more, *per se* violated the federal antitrust laws.

In setting forth its Question No. 3. (PTN 2), and in arguing the point (PTN 12), Petitioner persists in ignoring the fact that the District Court permitted Respondent

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* A claim of "illegal tie-ins" which was at least cognizable as a Clayton Act section 3 or a Sherman Act section 1 action was briefed in the District Court but abandoned by Petitioner in the Court of Appeals.

to dismiss its own infringement suit, that there was no adjudication of Petitioner's claim of fraud, and that under such circumstances not only was the case not an "exceptional case" within the meaning of 35 U.S.C. Sec. 285, but in a large sense Petitioner was not even the "prevailing party." The opinion of the Court of Appeals supplies ample reason for not over-turning the District Court's denial of attorneys' fees. Moreover, the issue of attorneys' fees is merely one of judicial discretion and clearly presents no issue warranting review by this Court.

STATEMENT OF THE CASE

The only issue before the Court of Appeals (apart from the tenuous issue of attorneys' fees) was the sufficiency of a revised defense which Petitioner also thrice sought to assert as a counterclaim under the federal antitrust laws. As is apparent from a brief review of the proceedings in the District Court, Petitioner was at no time able to assert an intelligible claim for treble damages under either the Sherman Act or the Clayton Act.

Respondent filed suit for patent infringement on June 24, 1960 against Petitioner.

Petitioner's first pleading captioned "Answer and Counterclaim for Declaratory Judgment" (DA 10) alleged invalidity and non-infringement of Respondent's patent and unenforceability of the patent by reason of "unclean hands." Paragraph 11 (DA 11) contained a gloss in which Petitioner asserted that "this [presumably Respondent's alleged unclean hands] also constitutes violation of the antitrust laws." *No other reference of any kind to purported antitrust violations was contained in the pleading.*

On October 22, 1962 (Respondent's patent in suit having then expired) Respondent, on its own motion, moved to dis-

miss its suit (DA 59). Petitioner countered by filing on the same day its "Motion for Award of Attorneys Fees" (DA 55).

While Respondent's motion to dismiss and Petitioner's motion for an award of attorneys' fees were pending, Petitioner filed a motion captioned "Motion to Award Damages and Alternative Motion to Amend Counterclaim" (DA 60) (PA 1). Thereafter the District Court filed a memorandum opinion and entered orders granting Respondent leave to dismiss its complaint and denying Petitioner's motion for attorneys' fees (DA 61-64). Leave was also granted Petitioner (DA 64) to file its amended counterclaim instanter.

Thus it was not until some two and one-half years after suit was begun, and after the issues raised by the complaint had become moot and Respondent had sought voluntary dismissal of the complaint, that Petitioner, apparently attempting to protract the litigation and hoping to obtain attorneys' fees from Respondent, sought to amend its counterclaim in an attempt to supply new allegations "sounding in antitrust"—something vaguely concerned with "tie-ins" (PA 3). Petitioner thus appreciated that its original pleading alleging, without more, that Respondent comes to court with unclean hands and that "this also constitutes violation of the anti-trust laws" (DA 11) hardly constituted the pleading of a federal antitrust claim.

On March 20, 1963 Respondent filed a motion to dismiss the amended counterclaim for failure to state a claim upon which relief could be granted. After taking the matter under advisement, the District Court struck the amended counterclaim (R 354) as so prolix and verbose that it failed to comply with Rule 8(e)(1), but granting Petitioner leave to amend (R 412-416).

Petitioner then filed a third counterclaim, its second amended counterclaim (DA 66), and Respondent filed a motion to dismiss the second amended counterclaim (DA 70).

The second amended counterclaim, if it referred at all to "tie-ins," did so only obliquely (DA 68), and was devoid of any suggestion of what kind of conduct the pleader was complaining about or of any consequent injury to Petitioner. In dismissing the second amended counterclaim the District Court readily disposed of the vague tie-in allegations (DA 73), devoting its opinion to the alleged fraud on the Patent Office.

In its brief and argument in the Court of Appeals, Petitioner abandoned any conceivable claim of illegal tie-ins, and with it the last vestige of a conceptually cognizable federal antitrust action. Likewise, Petitioner abandoned the contention, asserted for the first time in the second amended counterclaim (DA 69) that Respondent in making use of its patent was unjustly enriched at Petitioner's expense.

Petitioner was left with nothing to argue in the Court of Appeals but its tenuous claim for attorneys' fees and the theory that unclean hands ("fraud on the Patent Office") is coextensive with violation of the antitrust laws. The second amended counterclaim thus returned to rest at the starting point of the original counterclaim (DA 11, Par. 11). It is manifest, although Petitioner is never candid enough to say so, that it contends, and has never really contended anything more, that procurement of a patent by fraud on the Patent Office is, without more, a *per se* violation of the federal antitrust laws.

ARGUMENT

Under the caption "Reasons for Granting the Writ" (PTN 7), Petitioner numbers its material from 1 to 5. Contentions set forth under the various numbers over-lap and do not seem to comprise separate arguments. All of Petitioner's "Reasons" are nonetheless considered in this Argument.

1. There is Nothing of Special Public Importance in the Questions Presented by Petitioner.

Petitioner argues (PTN 7) that "[w]ithout action by this Court, patents may be procured by an applicant's fraudulent representations to the Patent Office, and the illegal monopoly thus obtained asserted against the public with impunity." Such an argument is only a carefree stroke with a big, broad brush. The Court of Appeals concisely and correctly held that although patent misuse may be the basis of an independent antitrust action, the mere procurement of a patent by fraud on the Patent Office, without more, does not afford a third party (assuming arguendo that such third party has been injured) a private action for treble damages against the patentee under the federal antitrust laws.

The law is well established that procurement of a patent by fraud invalidates the patent. A third party who may have a conceivable interest in the matter is free to infringe or to make any other use it desires of the purportedly patented device. In such circumstances, if the party holding the fraudulently procured patent, *i.e.*, the invalid patent, sues the third party for infringement, the third party may successfully defend the infringement suit on the basis

of invalidity. This is the usual, normal and typical situation respecting all disputes over the validity of patents. There is nothing *sui juris* about invalidity occasioned by fraud on the Patent Office in contrast to invalidity by reason of lack of invention, insufficient disclosure, or invalidity for any other reason.

The Court of Appeals pointed out (as did the District Court) that if Petitioner had any claim of any nature, its claim was based on proving fraud by Respondent on the Patent Office, in which event Respondent's patent was invalid.

The purported fraud is bottomed on a statutory bar to issuance of the patent; that is, Petitioner alleges that Respondent in its patent application falsely stated that it "does not know and does not believe that the same [the subject improvements] was . . . in public use or on sale in the United States for more than one year prior to this application." (paras. 17, 18 DA 67)

If there had been in fact a public use or sale more than one year prior to Respondent's application the patent would be invalid on such grounds, regardless of alleged fraud by Respondent. It is not the alleged fraud that might make the patent invalid, but the underlying fact of prior public use or sale (Patent Act, section 102(b), 35 U.S.C. sec. 102-b).

In December of 1956 Petitioner, by its counsel, wrote Respondent claiming that Respondent's patent was invalid by reason of prior public use and Respondent by its counsel, of course, denied any duty to investigate the question for the benefit of Petitioner (DA 67). Then as now the alleged invalidity was not dependent upon fraud, but upon the factual question of prior public use or sale. Then as now, if the patent were invalid and if, as asserted, Respondent's

patent interfered with or injured Petitioner in any manner whatever, Petitioner was perfectly free to manufacture a device that would infringe or involve contributory infringement (and to set up invalidity as a defense if Respondent should sue) or to seek a declaratory judgment if Respondent complained of infringement.*

However, to claim many years later, as in the instant suit, by way of defense and counterclaim that the possible invalidity, as such and without more, creates a wholly new and separate action for violation of the federal antitrust laws is specious. On such a theory any patentee whose patent is held invalid has violated the antitrust laws. The alleged invalidity then, and not the reason for the invalidity, is what Petitioner really claims creates a treble damage action under the antitrust laws. Stripped to its gravamen the argument means that any active claim of patent which turns out to be invalid is a violation of the federal antitrust laws.

It is telling to note, too, that Petitioner does not provide the court with the slightest suggestion of any distinction between "a monopoly represented by a fraudulently obtained patent" and "a monopoly represented by an invalid patent." Petitioner's argument is equally applicable to both and, as thus revealed, is completely untenable. Accordingly, not only is it of no public importance that Petitioner's claim of remedy be sustained but, on the contrary, if there is anything of importance involved, it is important that no such remedy be created.

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* The evidence in the record shows that Petitioner itself was manufacturing and selling similar devices for raising diffusing means from an aeration tank—single pivot swing risers and hoists for swing risers (PA 4).

2. There is No Conflict Whatever between the Decision of the Court of Appeals and this Court's Decision in Shawkee Mfg. Co. v. Hartford-Empire Co.

Petitioner's effort to place the decision of the Court of Appeals in conflict with the decision in *Shawkee Mfg. Co.* v. *Hartford-Empire Co.*, 322 U.S. 271 is equally untenable.

Instead of reviewing the holdings in that and related cases, Petitioner is satisfied to suggest that the case means that a right to damages on some theory exists (PTN 9).

This court's decision in the underlying case of *Hazel Atlas Glass Co.* v. *Hartford-Empire Co.*, 322 U.S. 238 involved only the power of the Court of Appeals to vacate its own judgment where the judgment was procured by fraud. The issue was the same in *Shawkee Mfg. Co.* v. *Hartford-Empire Co.*, 322 U.S. 271, and there is nothing in the decision suggesting that a third party has a private action for damages against a patentee by reason of the patentee's procurement of its patent by fraud. Petitioner's misconception that damages by reason of "fraudulent procurement of a patent" were allowed in the litigation probably stems from the proceedings following the Supreme Court decision in the *Hazel Atlas Glass Co.* case, as reflected in *Hartford-Empire Co.* v. *Shawkee Mfg. Co.*, 163 F. 2d 474 (CA 3). Damages were not allowed for such purpose; the Court of Appeals held that the fraudulently obtained injunction had forced several parties to renew their royalty contracts with *Hartford-Empire*, and that they were thus entitled to restitution of the amounts paid. All claims for loss of profits or compensatory damages were rejected as speculative. The court, however, indicated that, in view of the "whole wretched scheme" punitive damage would be allowed.

Petitioner would have the court overlook the material differences between the *Hartford-Empire* litigation and the

instant case. (i) The actions permitted in *Hartford-Empire* arose from fraudulent procurement of a judgment—not from "fraud on the Patent Office"; there is no suggestion whatever that "fraud on the Patent Office," without more, was considered to be actionable by a private party or to be a violation of the federal antitrust laws. (ii) The parties to whom punitive damages were allowed had been directly defrauded by *Hartford-Empire* in the course of litigation instituted by *Hartford-Empire* for the express purpose of defrauding such parties and affecting their pecuniary and property rights, which circumstances, of course, afford a cause of action; pointedly, in the instant case, there is no allegation that Respondent defrauded Petitioner, but only that Respondent defrauded the Patent Office.

As revealed at page 9 of its petition, Petitioner is not making use of the *Hartford-Empire* litigation to argue genuinely a conflict of results between Circuits, but to plaintively suggest to this Court, as it did to the Court of Appeals, that although Petitioner can find no theory upon which it is entitled to relief (other than its antitrust theory), this Court should supply it with a theory.

3. The Question of Affirmative Relief by a Third Party Allegedly Injured by Another Party's Fraudulent Procurement of a Patent has Long Ago Been Settled by this Court.

Petitioner (PTN 9) reads the Court of Appeal's observations that Walker [Petitioner] cites no authority in support of its theory to mean that the Court of Appeals regarded the purported issue as open. No such reading is possible. The Court of Appeals correctly relied upon established authority in denying an affirmative cause of action to Petitioner.

The cases are uniform in holding that the United States, but no other party, may sue to revoke or set aside a patent

procured through "fraud on the Patent Office." *United States* v. *American Bell Telephone Co.*, 128 U.S. 315, 373; *Eckert* v. *Braun*, 155 F. 2d 517, 519 (CA 7); *United Mfg. Service Co.* v. *Holwin Corp.*, 13 F.R.D. 510 (D.C.N.D., Ill.)

The Patent Office itself is not empowered to revoke a patent once issued, whether on the ground of fraudulent procurement or for any other reason. *Minnesota Mining & Manufacturing Co.* v. *Coe*, 145 F. 2d 25 (App. D.C.), *cert. den.* 323 U.S. 799.

The origins of the doctrine that only the United States may sue to revoke or annul a patent are found in *Mowry* v. *Whitney*, 81 U.S. (14 Wall.) 434, a case decided by this Court in 1871. The Court held that, in the absence of a permissive proviso in the then current Patent Act, a private party was without standing to seek annulment of another party's patent because of alleged fraud on the Patent Office. The only question remaining after *Mowry* v. *Whitney* was whether the United States had standing to sue for annulment of a patent under such circumstances and this question was resolved affirmatively in the *Bell Telephone* case cited above, 128 U.S. 315, 373.

Accordingly, as clearly understood by both the District Court and the Court of Appeals, a private damage claim for alleged fraudulent procurement of a patent is a collateral attack on the validity of the patent, *viz*, an attempt to nullify it or, in effect, to cancel it. Such an attack may not be made by a private claimant seeking affirmative relief.

4. Obtaining of a Patent by Fraud on the Patent Office is Not, Without More, a Violation of the Federal Antitrust Laws.

Petitioner seriously argues (PTN 11, 12) that since "the practice of fraud on the Patent Office, or at least the charge thereof, is not of infrequent occurrence" *ergo* this court should deem "such practice" to be a violation of the antitrust laws. Although the "frequency" of the practice is, of course, doubtful, whether or not any provision of the federal antitrust laws is *per se* violated in such circumstances is an entirely different matter.

In all the many pleadings and briefs filed to date by Petitioner it has not, until its statement of Question No. 2. (PTN 2), revealed what provisions of the federal antitrust laws it deems applicable. Question No. 2., however, now clearly asks for an adjudication that fraud on the Patent Office in the procurement of a patent is *per se* a violation of Section 2 of the Sherman Act.

Assuming, however, that procurement of a patent by fraud on the Patent Office may constitute "unclean hands" or "patent misuse," and assuming that some instances of "unclean hands" or "patent misuse" amount to violations of the antitrust laws, it does not follow that every instance of unclean hands or of patent misuse or of claimed patent abuse is a violation of the federal antitrust laws. Compare *Morton Salt Co.* v. *Suppiger*, 314 U.S. 488, 490, 492; *Transparent Wrap Machine Corp.* v. *Stokes & Smith Company*, 329 U.S. 637, 641; *United States Gypsum Co.* v. *National Gypsum Co.*, 352 U.S. 457, 465.

The logical relation of patent misuse to antitrust violations is summed up in the Report of the Attorney General's National Committee to Study the Antitrust Laws (1955), page 254. The Committee said:

"We reject the view that any violation of patent law necessarily violates the antitrust laws. From some abuses of patent policy may flow consequences not drastic enough to meet antitrust prerequisites of effect on competition. In addition, many patent abuses are more effectively curbed by simply denying equitable relief as a matter of patent policy. Holding every patent law transgression to be at the same time an antitrust violation would, moreover, put the patent owner on a different footing than owners of other property subject to antitrust. For antitrust has its own measure of permissive and wrongful conduct. To say that action beyond the borders of the patent grant is a *per se* antitrust violation is to ignore the Supreme Court's distinctions between the variant statutory standards of the Sherman, Federal Trade Commission and Clayton Acts as well as to repudiate the body of interpretations distinguishing between offenses unreasonable *per se* and those not."

In sum, Petitioner cannot by the simple device of labeling its claim an antitrust action "bootstrap" its now moot defense of unenforceability of the patent into a treble damage suit under the federal antitrust laws.

Over the years this Court has given elaborate and careful attention to the question of illegality *per se* under the Sherman Act. Certain practices, by their very nature, have been held to be so unduly restrictive that they are to be deemed illegal *per se* and any inquiry into their reasonableness is foreclosed. These practices are price fixing (*United States* v. *Socony-Vacuum Oil Co.*, 310 U.S. 150, 210); division of markets (*United States* v. *Addyston Pipe & Steel Co.*, 85 Fed. 271, aff'd. 175 U.S. 211); group boycotts (*Fashion Originators' Guild* v. *F.T.C.*, 312 U.S. 457); and tying arrangements (*Northern Pacific Railway Co.* v. *United States*, 356 U.S. 1).

With these exceptions, for a practice to violate either section 1 or 2 of the Sherman Act it must be condemned as unduly or unreasonably restrictive. *Standard Oil Co. of New Jersey* v. *United States*, 221 U.S. 1.

Finally, Petitioner has sought to generate confusion throughout the proceedings by equating the special privilege granted to an inventor with a monopoly consummated by a successful trade predator. These two concepts denote entirely different economic realities and are hardly coextensive for all purposes. See for example, *United States* v. *Dubilier Condenser Corporation*, 289 U.S. 178, 186. See also Report of the Attorney General's National Committee to Study the Antitrust Laws (p. 14 hereof).

5. The Stricken Pleading Does Not Set Forth a Claim for Relief Based Upon an Unreasonable Restraint of Trade under the Sherman Act.

Unless a practice is illegal *per se*, in order to determine whether it is unlawful under either section 1 or section 2 of the Sherman Act it is first necessary to describe, define or delineate the relevant market area. *Brown Shoe Company* v. *United States*, 370 U.S. 294, 325 and cases cited therein; *United States* v. *E. I. duPont deNemours & Co.*, 353 U.S. 586, 593.

Not only does the stricken second amended counterclaim fail to suggest a relevant market area, but it is also lacking in appropriate allegations of subject-matter jurisdiction. Federal regulation of commerce stems from the constitutional power to regulate interstate and foreign commerce. Nowhere does the pleading set forth an intelligible description of business practices or transactions in some way involving, relating to, or affecting any line or area of interstate or foreign commerce.

Cameron Iron Works, Inc. v. Edward Valves, Inc., 175 F. Supp. 423 (D.C. Tex.) is a pointed example of application of the relevant market requirement in a case similar to this case. In that case plaintiff sued to enforce its patent covering certain improvements in valves for controlling the flow of abrasive-laden fluids. Defendant relied on the usual patent defenses and filed a counterclaim charging plaintiff with attempting to monopolize the market in valves "sized especially for mudline service and having resilient sealing surfaces which render them capable of effectively controlling the flow of abrasive-laden fluids circulated in the mud supply system of drilling oil wells." The court found, however, that the evidence failed to show that any separate market existed in valves with resilient sealing surfaces for mudline service but rather that such valves in fact competed with valves having metal to metal seals.

Unlike the instant case, the *Cameron* counterclaim at least attempted to define the market area in which trade was allegedly monopolized. *Cameron* illustrates, however, that not every device or product comprises a market area in and of itself.

6. The Question of Attorneys' Fees does not Justify Review by this Court.

The District Court observed, "[w]e do not have admitted or adjudicated fraud vitiating the validity of the patent." The Court of Appeals observed that "[t]he District Court analyzed Walker's case and the applicable law when ruling on Walker's motion for fees. This analysis obviates the idea of arbitrariness." A District Court's exercise of discretion in granting or denying attorneys' fees is hardly a proper cause for exercise of this Court's certiorari jurisdiction.

CONCLUSION

The petition for writ of certiorari should be denied.

Respectfully submitted,

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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1964

No. 602

WALKER PROCESS EQUIPMENT, INC.,
Petitioner,

vs.

FOOD MACHINERY AND CHEMICAL CORPORATION,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit

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BRIEF OF RESPONDENT IN OPPOSITION TO MEMORANDUM FOR THE UNITED STATES AS AMICUS CURIAE IN SUPPORT OF THE PETITION FOR CERTIORARI.

Respondent, Food Machinery And Chemical Corporation, filed its Brief in Opposition to the Petition for Certiorari of Walker Process Equipment, Inc. on December 4, 1964, five days in advance of the required filing date. A copy of the Solicitor General's Memorandum as Amicus Curiae in Support of the Petition for Certiorari was first

received by Respondent on the day following the filing by Respondent of its brief.

Respondent respectfully submits that the Solicitor General's Memorandum was improvidently filed.

(1)

Unquestionably, as the Solicitor General urges, fraud practiced on the Patent Office prejudices the public. Unquestionably, appropriate steps should be taken to curtail and discourage such fraud. This is not to say, however, that the regulatory framework developed by the courts under the Sherman Act authorizes a private action for treble damages founded exclusively on a patentee's procurement of a patent by fraud.

The Solicitor General declines to make explicit what he would like the Court to determine. It is vague and ambiguous to ask the Court to hold ". . . that one who has suffered damage as a result of the suppression of competition under an invalid patent procured by fraud may maintain an antitrust action charging illegal monopolization . . ." (p. 3). The equating of "suppression of competition" with "illegal monopolization" obscures the distinctions between Section 1 and Section 2 Sherman Act requirements. In addition the Solicitor General does not say whether he is arguing for illegality *per se* or only for illegality under appropriate circumstances. Moreover, one cannot tell or infer whether he is saying that maintaining an invalid patent is one thing (of no interest to him?) but if the invalidity results from fraudulent procurement such special invalidity is *sui juris* and amounts to an antitrust violation.

Not only does the Solicitor General refrain from making explicit what he would like the Court to hold, but he

suggests no legal reasons for seeking action from the Court. All that the Solicitor General suggests is that availability of private treble damage actions would aid in law enforcement and would discourage frauds. On the basis of such a suggestion, civil wrongdoings of every character and description should be made the object of treble damage actions.

(ii)

To attack a patent *solely* on the ground of fraud in the procurement is to attack its validity—no more and no less. The Court of Appeals in concluding that fraud on the Patent Office [without more] may not be "turned to use in an original affirmative action, instead of as an equitable defense", merely confirmed a long established doctrine.

In trying to convert its defense into an affirmative claim, Petitioner arbitrarily attached the label of "antitrust". Although the Court of Appeals used "antitrust language" in its opinion, it apparently did so only in terms of considering the stricken pleading in the light of Petitioner's own characterization of its pleading. Such consideration, however, does not alter the fact that the Court of Appeals held only that affirmative relief is not available to a private party allegedly injured by a patentee's fraudulent procurement of its patent.

Had Petitioner labeled its action "unjust enrichment" (as it did at one stage of the pleadings), or unfair competition, or tort, or virtually anything else, the result from the Court of Appeals' point of view would necessarily have been the same. The opinion of the Court of Appeals then should be appreciated merely as a confirmation of the doctrine of *Mowry* v. *Whitney*, 81 U.S. (14 Wall.) 434 and not as an expression of what is or what is not anti-

trust. If the Court of Appeals had found, however, that affirmative relief (in contrast to an equitable defense) was allowable based exclusively and solely on fraudulent procurement of a patent, it then might have faced the question of whether antitrust relief was a permissible type of affirmative relief (a) under any conceivable circumstance, or (b) under the particular circumstances (or lack of circumstances) pleaded by Petitioner.

(iii)

The Court of Appeals opinion does not suggest that fraud on the Patent Office may never be a component of an antitrust claim. The Court of Appeals was not presented with a case in which fraud on the Patent Office was pleaded as part of a predatory scheme, or as a step in a conspiracy, combination or concert of action or agreement of some sort to restrain trade in violation of Section 1 of the Sherman Act, or as an attempted monopolization or monopoly of any line of commerce within the purview of Section 2 of the Act.*

At no time did Petitioner make an effort in its pleadings to delineate a relevant market area, or to suggest that a substantial or meaningful share of the relevant market was foreclosed by any actions of Respondent. Such omission makes it abundantly clear that if Petitioner claimed anything within the antitrust domain, it claimed that the conduct complained of was illegal *per se*.

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* In a *proper case*, as suggested by the Solicitor General's footnote 2, fraud on the patent office may well be a component of an unlawful restraint of trade.

Respondent ~~Petitioner~~ respectfully suggests that no purpose will be served by the Court granting certiorari only to hold that procurement of a patent by fraud on the Patent Office is not a violation *per se* of the Sherman Act.

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FILE COPY

In the

Supreme Court of the United States

October Term, A. D. 1964.

No. [redacted] 13

WALKER PROCESS EQUIPMENT, INC.,
Petitioner,

vs.

FOOD MACHINERY AND CHEMICAL CORPORATION,
Respondent.

REPLY BRIEF OF PETITIONER IN SUPPORT OF THE PETITION FOR WRIT OF CERTIORARI

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Respondent.

REPLY BRIEF OF PETITIONER IN SUPPORT OF THE PETITION FOR WRIT OF CERTIORARI

In neither of its two briefs* can respondent justify the decision of the Court below, nor minimize the public importance of the questions presented.

RESPONDENT MISDESCRIBES THIS CASE TO ATTEMPT TO DISTINGUISH IT FROM THE "PROPER CASE" IT NOW ADMITS WOULD SOUND IN ANTITRUST

The Court of Appeals held that a claim for relief cannot be stated in any case dependent upon the ability

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* The first (blue cover) is in opposition to the Petition and the second (green cover) is in answer to the Amicus Curiae brief of the United States.

to prove fraud on the Patent Office. The holding is stated in the Court's decision as follows (App. A to Pet., p. 3a):

> ". . . Walker shows us no case in which the issue of fraud on the Patent Office was used affirmatively in an anti-trust action. . . . Neither *Hazel-Atlas,* nor *Precision,* nor *Mercoid* decided, or hinted that fraud on the Patent Office may be turned to use in an original affirmative action, instead of as an equitable defense.
>
> "Since Walker admits that its anti-trust theory depends on its ability to prove fraud on the Patent Office, it follows that the district court was correct in deciding that Walker's second amended counterclaim failed to state a claim upon which relief could be granted."

Respondent concedes that holding to be incorrect in its brief replying to the Amicus Curiae brief of the United States. In a footnote to page 4, respondent says:

> "In a *proper case,* as suggested by the Solicitor General's footnote 2, fraud on the patent office may well be a component of an unlawful restraint of trade."

Respondent is not as forthright in its brief opposing the Petition. Therein petitioner's position is repeatedly mis-stated (Resp. Br.—blue cover—pp. 3, 7, 9, 13) as seeking "a determination that one who has fraudulently procured a patent has, *without more* violated the Federal anti-trust laws." (Emphasis added). The decision of the Court of Appeals is similarly misstated as, for example, at page 7 of respondent's brief opposing the Petition (blue cover) where the decision below is characterized as holding that:

> ". . . the mere procurement of a patent by fraud on the Patent Office *without more,* does not afford a third party . . . a private action for treble damages against the patentee under the federal antitrust laws." (Emphasis added)

MORE IS ALLEGED THAN RESPONDENT'S PROCUREMENT OF ITS PATENT BY FRAUD ON THE PATENT OFFICE

This is not a "without more" case, as respondent well knows. It is a "proper case" within the above-quoted concession of respondent's latest brief. In addition to respondent's procurement of its patent by fraud, the counterclaim alleges the damage resulting to petitioner from the *illegal monopoly* obtained, *enjoyed, and enforced* by respondent (Par. 22, Def. App. p. 68). Also alleged are the acts of respondent which compound its original fraud on the Patent Office. Such acts include respondent's denial in 1956 of any duty to investigate the question;* its bringing in 1960 of the complaint charging infringement of the patent fraudulently procured; its allegation in that complaint that the patent was "duly issued"; its evasive and false statements in resisting discovery of the facts of that fraud; its maintenance of that litigation for over two years; and, its dismissal of the complaint *with prejudice* on its own motion only after the facts of the fraud (of which respondent had knowledge from the start) had been fully established by discovery proceedings.

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* Even the admission of its denial to investigate contained in respondent's brief (p. 8) is a half truth. Respondent omits any mention that the investigation which was invited (with an express suggestion of fraud) by petitioner in 1956 was of *respondent's own* prior public use.

Respondent offers no explanation of why such allegations together with those of its fraud on the Patent Office do not spell out a "predatory scheme" which is suggested as a "proper case" on page 4 of respondent's brief answering the Amicus Curiae brief of the United States.

There also, respondent suggests as a "proper case" an "attempted monopolization or monopoly of any line of commerce within the purview of Section 2 of the (Sherman) Act."

The sole fault respondent states as to the counterclaim in this regard is the alleged failure to describe a relevant market area (Resp. Br. pp. 15-16).

In so arguing, respondent overlooks the nature of a patent. A patent is the grant of a monopoly; it is completely restrictive within the scope of its claims.

As was said by this Court in *Morton Salt Co.* v. *Suppiger Co.*, (1942), 314 U.S. 488, 491:

> ". . . A patent operates to create and grant to the patentee an exclusive right to make, use and vend the particular device described and claimed in the patent."

Solely as an exception to the public policy against monopolies does a patent normally shield the monopoly it represents from the reach of the Sherman Act. This Court so stated in its opinion in *United States* v. *Line Material Co.*, (1948), 333 U.S. 287, 309 as follows:

> ". . . The Sherman Act was enacted to prevent restraints of commerce but has been interpreted as recognizing that patent grants were an exception. *Bement* v. *National Harrow Co.**, *supra*, 92, 21 Cong. Rec. 2457."

In its earlier decision in *Precision Co.* v. *Automotive Co.*, (1945), 324 U.S. 806, this Court said (p. 816):

> ". . . A patent by its very nature is affected with a public interest. As recognized by the Constitution, it is a special privilege designed to serve the public purpose of promoting the 'Progress of Science and useful Arts.' At the same time, *a patent is an exception to the general rule against monopolies and to the right to access to a free and open market.* The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope. . . ." (Emphasis added)

Accordingly, the securing of a patent is the securing of a *per se* monopoly and the attempt to secure such a monopoly by fraudulent means must fall within the prohibition of Section 2 of the Sherman Act. Respondent recognizes (Br. p. 15) that market areas need not be shown in cases of *per se* violations of the anti-trust laws. It does not explain, and no reason is apparent, why the securing of an outright monopoly by the fraudulent use of the patent laws is not a *per se* violation.

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* This cited authority makes clear that the exemption is a reflection of the public policy rewarding inventors, by the grant of patent monopoly, "where the full benefit has been actually received" from the inventor "if this can be done without . . . countenancing acts which are fraudulent or may prove mischievous." *Bement* v. *National Harrow Co.*, (1902), 186 U.S. 70, 89-90, quoting from Chief Justice Marshall in *Grant* v. *Raymond*, 6 Pet. 218, 241.

The decision in *Cameron Iron Works, Inc.* v. *Edward Valves, Inc.*, D.C. S.D. Texas, 1959, 175 F.Supp. 423 cited by respondent (Br. p. 16) includes no holding to the contrary. It does not appear to rely on the passing observation on which respondent relies, the Court having found no illegal act. Even if raised to the dignity of District Court *dicta*, it would stand only for the proposition that to sustain an anti-trust claim without a *per se* violation, the *evidence* must show that a separate market exists for the item which is the subject of a narrow patent monopoly. The decision does not suggest, as respondent infers, that a claim for relief under the anti-trust laws is properly dismissed with prejudice on motion absent allegations spelling out a separate market.

Similarly, the other decisions cited by respondent (Br. p. 15), *Brown Shoe Company* v. *United States*, (1962) 370 U.S. 294, and *United States* v. *E. I. DuPont de Nemours & Co.*, (1957) 353 U.S. 586, do not deal with *per se* monopoly, such as that of a fraudulent patent. At most they deal with the sufficiency of the showing *as a matter of evidence*, not with the legal sufficiency of a claim for relief.

In *United States* v. *DuPont & Co.*, (1956) 351 U.S. 377, this Court was liberal as to "relevant market" where the asserted monopoly was the price fixing power resulting from producing 75% of "Cellophane," but distinguished such relevant market cases from the monopolies we here call "per se monopolies", saying (p. 395):

> "Illegal monopolies under Sec. 2 may well exist over limited products in narrow fields *where competition is eliminated.*" (Emphasis added).

In any event, pleading deficiencies of the character urged by respondent could not justify, as here occurred, a dismissal *with prejudice* of a claim for relief on the *first occasion* such deficiencies were noted. Such deficiency

could have been remedied by amendment,* leave for which is required to be "freely given when justice so requires." Rule 15, Federal Rules of Civil Procedure.

RESPONDENT'S ARGUMENTS EMPHASIZE THE IMPORTANCE OF A DECISION ON THE QUESTIONS PRESENTED

Respondent attempts no denial of the proposition advanced by petitioner that if the decision below be allowed to stand there will be no effective deterrent to the practice of fraud on the Patent Office. Indeed, respondent would reward the fraud-feasor for his fraud by permitting him on the rare occasions when his illegal monopoly is discovered and painlessly terminated, to retain all the fruits of that monopoly.

The argument advanced by respondent (Br. p. 7) is that it is enough that a competitor is free to infringe a fraudulently obtained patent, and when sued for infringement, can invalidate the patent on the basis of fraud.

As is illustrated by respondent's enjoyment of the fraudulent monopoly throughout the life of its patent, such procedure affords but little hope of ever terminating the illegal monopoly short of its natural death by expiration of the patent.

The procedure is impractical even to discourage fraud for other obvious reasons. A competitor having no proof

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* For example, such amendment could have included allegations based on the fact established by discovery proceedings (Def. App., p. 54) that respondent had had virtually no competition throughout the life of its patent in the sale of diffusion equipment, clearly a line of commerce. A sworn estimate (by petitioner, printed by respondent on pp. 8-9 of Appendix of Appellee) indicates that respondent made an *extra* 12-24 Million Dollar profit by selling at three times competitive prices.

of fraud could rarely afford to infringe on the mere hope of establishing such a defense. Even with knowledge of the fraud, the expense of an infringement suit, especially when added to the damage caused by the illegal monopoly, would render the competition suggested by respondent prohibitive to a small competitor and unattractive financially even to large competitors.

From the standpoint of principles of justice, respondent's proposal is a new extreme. A competitor damaged by a fraudulent patent shall not only be deprived of relief for such damage, but additionally is expected to undertake the expense of an infringement suit. According to another part of the decision below, the competitor could not even hope for an award of attorney's fees.

In various ways, respondent expresses the philosophy that a fraudulent patent is no different from any other invalid patent. For example, respondent suggests (Br. p. 8):

> ". . . There is nothing *sui juris** about invalidity occasioned by fraud on the Patent Office in contrast to invalidity by reason of lack of invention, insufficient disclosure, or invalidity for any other reason."

The duty owed to the Patent Office by those seeking patents is differently considered by this Court in its opinion in *Precision Co.* v. *Automotive Co.*, (1944), 324 U.S. 806. There, the Supreme Court said (p. 818):

> ". . . Those who have applications pending with the Patent Office or who are parties to Patent Office proceedings have an uncompromising duty to report to it all facts concerning possible fraud or inequitableness underlying the applications in issue. *Cf. Crites, Inc.* v. *Prudential Co.*, 322 U.S. 408, 415. This duty

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* *sui generis?*

is not excused by reasonable doubts as to the sufficiency of the proof of the inequitable conduct nor by resort to independent legal advice. Public interest demands that all facts relevant to such matters be submitted formally or informally to the Patent Office, which can then pass upon the sufficiency of the evidence. *Only in this way can that agency act to safeguard the public in the first instance against fraudulent patent monopolies.* Only in that way can the Patent Office and the public escape from being classed among the 'mute and helpless victims of deception and fraud.' *Hazel-Atlas Glass Co.* v. *Hartford-Empire Co., supra,* 246." (Emphasis added)

Respondent also contends (Br. p. 9) that petitioner has not suggested a distinction between the monopoly of a fraudulently obtained patent and that of a patent invalid for other reasons. The logic or relevancy of such argument is not stated. Because the same result can be achieved in innocent and fraudulent acts, and may have the same result, hardly makes fraud and innocence equal legal or moral qualities. The distinction is inherent in the manner and intent with which the monopoly is acquired in each instance. This Court has long recognized that the public policy exempting patents from the general rule against monopoly does not extend to cases of fraud. *Bement* v. *National Harrow Co.,* (1901) 186 U.S. 70, 89-90.

The position of petitioner in this regard is clearly set forth in the Petition (p. 11) as follows:

> "If fraudulently procured, the patent cannot render protection from the anti-trust laws to the monopoly it represents."

Moreover, petitioner has made clear in its briefs below that it is confining its attention to fraudulently procured patents. Petitioner has not suggested, and a decision

on the questions presented would not even imply a holding that any good faith use of the patent laws is within the contemplation of the anti-trust laws.

RESPONDENT DOES NOT DISTINGUISH THE DECISION IN SHAWKEE MFG. CO. v. HARTFORD-EMPIRE CO.

The Petition (pp. 7-8) urges that the availability of relief of the type here sought was recognized by this Court in *Shawkee Mfg. Co.* v. *Hartford-Empire Co.*, (1944) 322 U.S. 271. Respondent (Br. pp. 10-11) contends that that decision has no application for the irrelevant reason that in subsequent proceedings, "all claims for loss of rights or compensatory damages were rejected as speculative" by the Court of Appeals for the Third Circuit.

That the Court rejected *compensatory damages* only because speculative, and awarded punitive damages, shows that the Court assumed that compensatory damages would be proper for any *proved* injury. In the present case, the petitioner has been deprived of its chance to *prove* injury.

The *Shawkee* decision and the decision in the companion case of *Hazel-Atlas Co.* v. *Hartford-Empire Co.*, (1944), 322 U.S. 238 are said by respondent (Br. p. 11) to be distinguishable since they involved the fraudulent procurement of a judgment as well as fraudulent procurement of a patent. The point is without merit. Nowhere in those decisions did this Court state, hold or suggest that fraud on the courts is anymore reprehensible than

fraud on the Patent Office.* Moreover, respondent does not explain why a fraudulently obtained patent should act as a shield for a fraud-feasor while a fraudulently obtained judgment does not.

THAT THE GOVERNMENT ALONE HAS POWER TO CANCEL A PATENT DOES NOT BAR PETITIONER'S CLAIM

Along the same vein, respondent urges (Br. pp. 11-12) that petitioner's affirmative cause of action is barred by this Court's decisions holding that the government alone can sue to cancel a patent. Respondent attempts to apply that doctrine here by reasoning that a private damage claim "is a collateral attack on the validity of the patent, *viz.*, an attempt to nullify it or, in effect, to cancel it."** (Resp. Br. p. 13).

This argument cannot be reconciled with respondent's concession in its later filed brief answering the Amicus Curiae brief of the United States (p. 4) that in a "proper case" fraud on the Patent Office can be "a component of an unlawful restraint of trade."

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* Of especial application to respondent's argument is the classic statement made in 1896 by the English jurist, Lord MacNaghten in *Reddaway* v. *Ranham*, A.C. 199, 221, 25 English Ruling Cases 193, 212:

> "'But fraud is infinite in variety; sometimes it is audacious and unblushing; sometimes it pays a sort of homage to virtue, and then it is modest and retiring; it would be honesty itself if it could only afford it. But fraud is fraud all the same; and it is the fraud, not the manner of it which calls for the interposition of the Court.'"

** Respondent has not explained how a claim existing after the patent has already become a nullity can be a mere attempt to nullify that patent.

In thus destroying its prior argument respondent rejects the very basis of the District Court's decision. The District Court, as stated in the opinion of the Court of Appeals (App. A to Pet., p. 2a), found that petitioner was:

> ". . . attempting to use the issue of fraud to do indirectly what it could not do directly, *i.e.*, procure a cancellation of the patent in suit; and concluded no claim was stated upon which it could grant relief."

For this additional reason, the holding of the Court of Appeals should not be permitted to stand.

The argument is erroneous for other reasons. The Court of Appeals stated (App. A to Pet., p. 3a) and respondent concedes (Br. pp. 7-8) that fraud on the Patent Office is a defense in an infringement action. No explanation is given as to why the defense which invalidates a patent does not conflict with the government's exclusive right to cancel, whereas the same facts, pleaded as a component of an affirmative claim for relief, does conflict.

Further, petitioner's claim is brought under the anti-trust laws and under common law theory of recovery, not the patent laws. In *Mercoid Corp.* v. *Minneapolis-Honeywell Co.*, (1944), 320 U.S. 680 succinctly stated (p. 684):

> ". . . The legality of any attempt to bring unpatented goods within the protection of the patent is measured by the anti-trust laws not by the patent law."

Measured by the anti-trust laws, principally, Section 2 of the Sherman Act, a claim for relief is made out.

A MONOPOLY OBTAINED BY PRACTICING FRAUD ON THE PATENT OFFICE IS A VIOLATION OF THE CLEAR TERMS OF SECTION 2 OF THE SHERMAN ACT

The Petition (p. 11) points out that the conduct alleged in the counterclaim falls within the express prohibition of Section 2 of the Sherman Act. Respondent does not dispute this, but makes the irrelevant assertion (Br. pp. 13-14) that not every instance of unclean hands or misuse of patents violates the Federal anti-trust laws. On its face, that general observation has no relevance to a practice condemned by the clear terms of the anti-trust laws.

Moreover, this is not a case of misuse of a *legal* patent, but one involving a patent *wholly fraudulent,* being based on an oath falsely denying the patent owner's own invalidating acts.

INFRINGEMENT ACTIONS BASED ON PATENTS PROCURED BY FRAUD SHOULD BE HELD "EXCEPTIONAL"

The arguments presented in the Petition (pp. 12-14) on attorney's fees are not met by respondent. The arguments of respondent are premised on the assumption that there is no distinction between an infringement suit brought on a fraudulently obtained patent and one brought on a patent invalid for other reasons. The decisions of the Courts below have the effect, though unintended, of condoning fraud. This Court should make clear that fraud is never condoned and that infringement suits brought on a patent obtained by denying facts known to the patentee (or by other fraud on the Patent Office) are "exceptional" cases within the meaning of the statute (Title 35, U.S.C., Sec. 282), permitting an award of attorney's fees.

Especially should this Court make clear that such suits are "exceptional" where, as here, the fraud is that of the plaintiff (respondent) who brings the action; the suit is continued for two years while discovery is resisted by false and evasive answers; and, when the fraud is finally established, the plaintiff, by its motion, obtains dismissal with prejudice.

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BRIEF OF PETITIONER.

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OPINIONS BELOW.

The opinions of the District Court for the Northern District of Illinois (R. 57, 64) are not reported. The opinion of the Court of Appeals for the Seventh Circuit (R. 80) is reported at 335 F. 2d 315.

JURISDICTION.

Jurisdiction of this Court is invoked under Title 28 U.S. Code 1254(1), 62 Stat. 928. This Court granted certiorari on January 18, 1965.

STATUTES HERE INVOLVED.

Sherman Act, Section 2 (15 U.S. Code 2, 26 Stat. 209):

"Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with for-

eign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding fifty thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court."

Clayton Act, Section 4 (15 U.S. Code 15, 38 Stat. 731):

"Any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee."

United States Patent Code, Sec. 285 (35 U.S. Code 285, 66 Stat. 813):

"The Court in exceptional cases may award reasonable attorney fees to the prevailing party."

Patent Code in Effect in 1942 (Rev. Stat. 4886; 35 U.S. Code 31, found in 3rd Vol., 35 USCA, p. 817, 53 Stat. 1212):

"Any person who has invented or discovered any new and useful art, machine, manufacture, or composition of matter, or any new and useful improvements thereof, or who has invented or discovered and asexually reproduced any distinct and new variety of plant, other than a tuber-propagated plant, not known or used by others in this country, before his invention or discovery thereof, and not patented or described in any printed publication in this or any foreign country, before his invention or discovery thereof, or more than one year prior to his application, and not in public use or on sale in this country for more than one year prior to his application, unless the same is proved to have been abandoned, may, upon payment of the fees required by law, and other due proceeding had, obtain a patent therefor."

QUESTIONS PRESENTED.

The questions presented are:

1. Whether it is possible for a person injured in his business by a fraudulently secured patent monopoly on an unpatentable product to have a private claim for damages, the fraud comprising concealing from the Patent Office, and denying under oath, the facts of the patentee's own invalidating prior sales and use.

2. Whether a monopoly based on a fraudulently procured patent is exempted and shielded from the clearly expressed prohibitions of Section 2 of the Sherman Act by the mere existence of the patent which is the fraudulent instrument of monopoly.

3. Whether a patent infringement action, wherein it is established by the defendant that the patent in suit was obtained by the concealment and false denial by the patent owner of its own invalidating sales and use and in which action the patent owner attempts to conceal the facts of its conduct, is not an "exceptional case" within the provisions of Title 35 U.S. Code, Section 285.

STATEMENT OF THE CASE

This matter comes before the Court by writ of certiorari to review a decision of the Court of Appeals for the Seventh Circuit that Petitioner's second amended counterclaim (the first having been stricken for prolixity, R. 64) fails to state a claim on which relief can be granted, and that Petitioner is not entitled to attorney's fees in defending against Respondent's charge of patent infringement.

The Petitioner herein is Walker Process Equipment, Inc. (Walker) and the Respondent is Food Machinery and Chemical Corporation (FMC). The parties are competitors (FMC through its Chicago Pump Hydro-Dynamics Division) in the manufacture and sale of sewage treatment equipment.

On June 24, 1960 FMC brought suit (R. 3) in the Northern District of Illinois for alleged infringement of United States patent No. 2,328,655 (R. 5). The patent, which had issued to FMC on September 7, 1943, relates to aeration equipment for use in sewage treatment systems. During the life of the patent FMC had virtually no competition in the sale of the "swing diffusers" to which the patent is particularly directed (R. 50).

Discovery proceedings pressed by Walker brought out that a sewage treatment system, employing equipment of the patent and sold by FMC, had been installed and publicly operated with FMC's participation more than one year prior to the filing of the patent application on February 2, 1942 (R. 12-33, 36-50). Walker moved for summary judgment on the ground that there was sale more than one year prior to the patent application, invalidating the patent under 35 U.S. Code 102(b) (R. 34). At first FMC resisted the motion for summary judgment against it (R. 35), but, after further discovery by Walker, FMC moved to dismiss its own action with prejudice (R. 55).

At the same time that FMC moved to dismiss its own complaint, Walker asked for attorney's fees because FMC had obtained the patent by concealing its own invalidating prior public use, had maintained the fraudulent patent and brought suit on it, and had repeatedly evaded and resisted discovery of the invalidating facts (R. 51-54).

The District Court denied Walker's application for attorney's fees, granted FMC's motion to dismiss its complaint with prejudice, denied Walker's motion for summary judgment thereby made moot, and granted Walker leave to amend its counterclaim (R. 57-59).*

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* The first counterclaim was filed with the Answer and did not include the allegations of facts later discovered (R. 11).

The amended counterclaim, dismissal of which without leave to amend and with prejudice is now at issue, charges (R. 60-63) that FMC illegally monopolized interstate and foreign commerce by fraudulently and in bad faith obtaining and maintaining against the public and Walker its patent in suit No. 2,328,655. The counterclaim alleges in paragraph 19, that at the time FMC brought suit for patent infringement, it knew that the patent was not properly issued (R. 62) and, in paragraph 15 (R. 60), that FMC knew it had no legal basis for the patent—in that FMC itself had every feature thereof in public use more than a year before the application date. In 1956 Walker called FMC's attention to the question of its own public use and possible fraud, but FMC denied any duty to look into the question and took no action to remove or reduce the monopoly effect of the patent (Paragraph 18, R. 61-62). The counterclaim also alleged that FMC had used this patent, which it knew to be invalid, to restrict competition (Paragraph 20, R. 62). Walker, because of this, lost substantial sums of money—some of which losses are specifically alleged in Paragraph 22 (R. 62).

FMC moved to dismiss this counterclaim on the ground that it failed to state a claim upon which relief can be granted "under the federal antitrust laws or under any other law or laws" (R. 63). The District Court granted the motion (R. 69) on the ground that only the United States can bring an action alleging fraud in the procurement of a patent (R. 64-68).

The Court of Appeals affirmed dismissal of the counterclaim on the ground that a private litigant, injured by another's fraud on the Patent Office, has no standing to sue, and affirmed the denial of attorney's fees on the ground that this was not an "exceptional case" (R. 80-82).

SUMMARY OF ARGUMENT.

The Court of Appeals erred in holding that an action will not lie for damages caused by a patent which was fraudulently obtained, and fraudulently maintained and asserted. The stated basis for the decision was that a private litigant may not rely upon fraud on the Patent Office in an affirmative action. In so ruling, the Court held contrary to rulings of this and other Courts.

The counterclaim alleges that Respondent, FMC, has monopolized and has restricted competition by its fraudulently obtained and maintained patent. It also alleges that as a direct result Petitioner, Walker, was damaged. FMC should not be permitted to use a patent obtained by its own fraud as a shield against antitrust prosecution. The exemption from the antitrust laws accorded to proper practices under the patent laws does not extend to fraudulently obtaining, maintaining, and asserting a patent. Allowance of a claim for damages, such as Walker's, would further the purposes of both the patent laws and the antitrust laws.

FMC originally brought this patent infringement action on a patent which was invalid in view of FMC's own sale and participation in public use of the specific subject matter of the patent. It evaded and resisted discovery proceedings seeking to prove the invalidity and the fraud on the Patent Office. When Walker finally had proof of the facts and moved for summary judgment, FMC voluntarily dismissed its complaint with prejudice. This is the "exceptional case" in which, by statute, attorney fees may be awarded the prevailing party.

ARGUMENT.

I. The Court Of Appeals Erred In Holding That No Action Will Lie For Damage Caused By Acts Including Fraud On The Patent Office.

By its Motion to Dismiss, FMC is deemed to have admitted the allegations of the counterclaim. *United States* v. *New Wrinkle, Inc.*, 342 U.S. 371, 376 (1952). See *Guessefeld* v. *McGrath*, 342 U.S. 308, 310 (1952); *Abington School District* v. *Schempp*, 374 U.S. 203, 212 (1963). Thus the basic question is whether an action will lie for damages caused by a patent admitted to have been fraudulently obtained and fraudulently maintained and asserted.

The counterclaim charges that FMC (including its predecessor) "monopolized interstate and foreign commerce by fraudulently and in bad faith obtaining and maintaining against the public and this defendant, its patent in suit No. 2,328,655, well knowing that it had no basis for and had forfeited any rights it might have had to a patent" (Par. 15, R. 60). Details of the invalidating prior sale by FMC, and prior use in which FMC participated, are alleged (Par. 16, R. 60-61).

FMC filed the application with an untrue oath denying such prior public use and sale (Par. 17, R. 61), at no time calling these facts to the attention of the Patent Office (Par. 17, R. 61), as was its duty, *Precision* v. *Automotive* Co., 324 U.S. 806, 818 (1945).

The counterclaim further excludes any possibility that the falsely denied facts had been innocently overlooked by alleging that in 1956 Walker specifically called the attention of FMC to the question of the existence of its

own invalidating public use, fraud being mentioned. The patent owner denied any duty to look into the question (Par. 18, R. 61, 62). Instead, FMC subsequently brought suit on the patent against Walker (Par. 19, R. 62), alleging (in spite of its knowledge to the contrary) that the patent in suit had been "duly issued". Moreover, throughout the life of the patent, FMC has used it to restrict and impede competition in the sale of equipment not covered by the patent and has thereby additionally monopolized trade in such commerce (Par. 20, R. 62). The monopoly effect continued even after expiration of the patent because it deprived Walker of acquiring, during the term of the fraudulent monopoly, the experience which purchasers in this field require of their equipment suppliers (Par. 21, R. 62).

The acts of FMC in obtaining, maintaining and attempting to enforce the patent, knowing it to have been obtained in bad faith, deprived Walker of business. Specific instances where Walker had received orders or was low bidder but lost sales because of the patent are alleged (Pars. 21 and 22; R. 62 and 63).

The Court of Appeals held that the counterclaim alleging these facts failed to state a claim upon which relief could be granted, on the ground that fraud on the Patent Office may not be relied upon in an affirmative action, as distinguished from being relied upon as a defense (R. 80-82). In so ruling the Court held directly contrary to the ruling of this Court in *Shawkee Mfg. Co.* v. *Hartford Co.*, 322 U.S. 271, 274 (1944) which clearly sets out a right

to recovery of damages resulting from the use of a patent fraudulently obtained.*

The decision of the Court of Appeals is also contrary to decisions of other courts which have permitted allegations of fraud on the Patent Office in affirmative pleadings. In *Clinton Engines Corp.* v. *Briggs & Stratton Corp.*, 175 F. Supp. 390 (D.C. E.D. Mich. S.D. 1959), motion for summary judgment was denied and a pleading sustained which charged obtaining and enforcing patents known to be invalid as part of a scheme to create and maintain a monopoly in violation of the anti-trust laws. The court relied upon an analogous situation in a trade mark case *Kellogg* v. *National Biscuit Co.*, 71 F.2d 662, 665-666 (CA 2, 1934). In *Woolridge Mfg. Co.* v. *R. G. LaTourneau, Inc.*, 79 F. Supp. 908, 909 (D.C. N.D. Cal. 1948), the court refused to strike allegations of fraud in obtaining a patent both as a misuse defense and as part of a violation of the anti-trust laws.

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* Subsequent to the discovery of the fraud practiced on the Patent Office and on the courts, Shawkee and others moved in the Court of Appeals to have the prior judgment against them set aside and prayed that a Master be appointed by that court to determine certain damages including "damages sustained by them because of Hartford's unlawful use of its patent" (322 U.S. 274). In effect, this was a counterclaim such as that here dismissed. This court ruled with respect to the prayer for damages, that "whether this type of relief will be granted must depend upon further proceedings in the District Court which entered the judgment of infringement." (p. 274). This court further directed that Court of Appeals to (p. 274):

> "* * * permit Shawkee and the others to bring such further proceedings as may be appropriate in accordance with their prayer for relief."

Subsequent proceedings in the case show that affirmative relief was granted, *Hartford Co.* v. *Shawkee Mfg. Co.*, 163 F. 2d 474 (CA 3, 1947).

The Court of Appeals reached a conclusion conflicting with this Court's decision in *Shawkee Mfg. Co.* v. *Hartford Co., supra,* on the ground that only the United States can bring an action to *cancel* a patent, for fraud on the Patent Office (citing *Mowry* v. *Whitney,* 81 U.S. (14 Wall.) 434, 1871) and since fraud on the Patent Office may not be the basis of having a patent declared invalid in a declaratory judgment action (citing *E. W. Bliss Co.* v. *Cold Metal Process Co.,* 102 F. 2d 105, C.A. 6, 1939 and *I.C.E. Corp.* v. *Armco Steel Corp.,* 201 F. Supp. 411, D.C.S.D.N.Y. 1961), therefore fraud on the Patent Office may not be relied upon for affirmative relief in any action, antitrust or otherwise. The conclusion does not follow. Walker does not ask cancellation of the patent (which expired in 1960) nor a declaratory judgment that it was invalid (the complaint previously having been dismissed with prejudice). Walker seeks to recover damages for the injury caused it by the acts of FMC in fraudulently obtaining and using the patent.

Walker has pleaded that FMC has restricted competition to Walker's loss. The motion to dismiss admits these allegations. FMC says that it had a right to restrict competition because it had a patent. Walker says that the patent was obtained and retained with full knowledge of the fraud. This is admitted by the motion to dismiss. FMC says that this cannot be used against it because only the government can cancel the patent. Walker says the patent has expired; it does not seek its cancellation, but insists that FMC cannot use a patent obtained by its own fraud to avoid the antitrust laws.

In *Mowry* v. *Whitney, supra,* relied upon by the Court of Appeals, the principal point was, by analogy to the old English practice, that only the sovereign could institute

proceedings to rescind that which the sovereign had granted. This has no application to the present case. Although the United States can, and does, bring actions to enforce the antitrust laws, private litigants who have been damaged are also authorized to sue (15 U.S. Code 15, 38 Stat. 731).

E. W. Bliss Co. v. *Cold Metal Process,* 102 F. 2d 105 (CA 6, 1939), upon which the Court of Appeals relied, was decided prior to this Court's decision in *Hazel-Atlas Co.* v. *Hartford Empire Co.,* 322 U.S. 238 (1944) and probably no longer represents sound law, if it ever did.* The *Bliss* opinion relied upon *Mowry* v. *Whitney,* 81 U.S. (14 Wall.) 434 (1871) and *United States* v. *Bell Telephone Co.,* 128 U.S. 315 (1888), but in so doing overlooked the difference between the right of the United States, alone, to *cancel* a patent, and the right of a private litigant to prove *invalidity* or unenforceability. Moreover, *United States* v. *Bell Telephone Co.* at page 357 appeared to recognize that an individual victim of a fraud should have a remedy:

> "* * * If such a fraud were practiced upon an individual, he would have a remedy in any court having jurisdiction to correct frauds and mistakes and to relieve against accident; * * *".

The counterclaim alleges facts showing that FMC committed fraudulent and wrongful acts and that as a direct result Walker was damaged. There is no public policy which permits a patent owner to use his fraud as a shield

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* See Keaveney, *Fraud in the Procurement of a Patent as a Defense to Infringement,* 33 J. Pat. Off Soc'y 482, 493-494, 501. If fraud in procurement of a patent may be pleaded in defense to an action for patent infringement, why may it not be pleaded in a declaratory judgment action in defense to a charge of patent infringement?

against antitrust prosecution. No public policy is conceived which should prevent one injured by such fraud and other acts from seeking redress. Indeed, allowance of such actions could further discourage misrepresentation to the Patent Office.

A lawful patent monopoly is a recognized exception to the monopolies prohibited by Section 2 of the Sherman Act. However, the patent laws do not create a total exemption from the antitrust laws. Activity within the scope and purposes of the patent laws, though they lead to a "monopoly"—which may be as absolute a monopoly as can be—is shielded from antitrust charges by the patent laws. But a misuse of patents is outside that shield. *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U.S. 661 (1944).

In dealing with another exemption to the antitrust laws, permissible restraints of trade under regulations of a securities exchange, this Court held that an antitrust action would lie for acts beyond the scope and purposes of the Securities Exchange Act; *Silver* v. *New York Stock Exchange*, 373 U.S. 341 (1963). The opinion of the Court pointed out that the exemption from the antitrust laws is "only to the extent necessary to protect the achievement of the aims" of the exempting statute (373 U.S. at p. 361).

Surely, the fraudulent procurement and assertion of an invalid patent is not within the purposes of the patent laws. The "achievement of the aims" of the patent laws does not require that the fraud-feasor be permitted to keep the spoils of his fraudulently procured and maintained monopoly. Indeed, the achievement of the aims of both the patent laws and the antitrust laws are advanced by permitting the victim of a fraudulently acquired and asserted patent monopoly to sue for damages.

The opinion of the Court of Appeals states (R. 82):

> "Since Walker admits that its anti-trust theory depends on its ability to prove fraud on the Patent Office, it follows that the district court was correct in deciding that Walker's second amended counterclaim failed to state a claim upon which relief could be granted."

This statement errs in two respects. First, no question of proof is here involved since fraud on the Patent Office has been admitted by the Motion to Strike the Counterclaim. Second, no policy or authority requires that one damaged by a monopoly and restraint beyond the legitimate protection of the Patent Laws should be denied relief. The question is simply whether a plaintiff which has admitted that it defrauded the Patent Office into the issuance of an invalid patent—now expired—may with impunity damage a competitor by asserting the fraudulently obtained patent. No case has held to the contrary. The decisions of *Kellogg* v. *National Biscuit Co.*, 71 F.2d 662, 665-666 (CA 2, 1934), *Clinton Engines Corp.* v. *Briggs & Stratton Corp.*, 175 F.Supp. 390, 406 (D.C.E.D. Mich. S.D., 1959)* and *Woolridge Mfg. Co.* v. *R. G. LaTourneau, Inc.*, 79 F.Supp. 908, 909 (D.C.N.D. Cal., N.D. 1948) are authority for the proposition that such action constitutes a violation of the antitrust laws.

Once the antitrust laws are involved, the court will go behind any curtain, including a contract between the parties, to determine the true validity of a patent. *Edward Katzinger Co.* v. *Chicago Metallic Mfg. Co.*, 329 U.S. 394 (1947).

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* These decisions and this Court's decision in *Shawkee Mfg. Co.* v. *Hartford Co., supra,* were cited to and ignored by the Court of Appeals.

To allow an action to recover damages flowing from a restraint of trade, where the defense relies only upon a patent fraudulently obtained and fraudulently asserted would not impair or even affect the patent system.* Its effect would be wholesome as a penalty against fraud. Likewise, to allow such an action would not impair, but would further the purposes of the antitrust laws.

II. This Is An "Exceptional" Case Within The Meaning Of Title 35 USC Section 285 Warranting An Award Of Attorney Fees.

The Patent Statutes provide (35 USC 285):

> "The Court in exceptional cases may award reasonable attorney fees to the prevailing party."

Courts have heretofore considered "exceptional cases" to include those initiated or prosecuted in bad faith. *Algren Watch Findings Co.* v. *Kalinsky,* 197 F. 2d 69, 72 (CA 2, 1952); *Shingle Products Patents* v. *Gleason,* 211 F. 2d 437, 441 (CA 9, 1954); *Etten* v. *Lovell Manufacturing Co.,* 225 F. 2d 844, 849 (CA 3, 1955); *Seismograph Service Corp.* v. *Off Shore Raydist,* 263 F. 2d 5, 24, 28 (CA 5, 1958); *Talon Inc.* v. *Union Slide Fastener, Inc.,* 266 F. 2d 731, 739 (CA 9, 1959).

But both the Court of Appeals and the District Court held that the bad faith here shown did not even bring the case into the class of "exceptional cases" (R. 58, 82). Thus the point of the discretional allowance of fees was never reached.

We start with the patent which was invalid in view of FMC's own sale and participation in public use of the spe-

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* See 1959 Annual Survey of American Law, New York University School of Law, 1960, page 190.

cific subject matter of the patent.* From prior to the time the patent was issued, FMC had in its files documents demonstrating invalidity. In 1956, Walker called attention to the possibility of prior public use, and invited FMC to check into the facts and advise Walker, mentioning the question of fraud on the Patent Office (R. 16). FMC declined. Thereafter FMC filed this action.

Either such bad faith or FMC's unjustified and vexatious response to discovery efforts of Walker, alone, would justify an award of attorney fees. The latter sheds light on FMC's entire conduct with respect to the patent in suit. Walker's first effort at discovery was to inquire as to construction, shipping, testing and functioning of the piping (the key feature of the patent) in FMC's first installation. FMC gave most evasive, and in instances, incorrect answers in order to conceal the manufacture, sale, delivery, installation, testing and operation of the patented equipment well before the critical date of February 2, 1941. For example, as to date of shipping the piping for the first installation, FMC's documents (later produced by discovery) showed that shipment was scheduled for November 29, 1941 at the latest, that the customer was billed on December 6, 1940 and that installation on the site was practically complete by January 1, 1941 (R. 21), but FMC stated in answer to interrogatories that shipment was "Between December 6, 1940 and February 19, 1941" (R. 13). Even as to "commencing construction of

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* For the purposes of FMC's motion to dismiss Walker's second amended counterclaim, FMC is deemed to have conceded that the patent was procured by fraud. This admission does not carry over to the issue of attorney fees, but the District Court apparently accepted the charges. In any event the essential facts of fraud and invalidity have been fully established by discovery.

such piping", FMC would not give an unequivocal date prior to February 2, 1941. It answered, "Sometime after November 5, 1940 and prior to February 19, 1941" (R. 13) —even though it knew the construction of the piping had to have been completed during the year 1940.

FMC also stated that the first "testing" and first "useful functioning" of the piping was "On or about February 28, 1941" (R. 13). But FMC's documents showed that one of its men was getting ready to test on January 4, 1941 (R. 24) and the equipment was treating sewage by January 22, 1941 (R. 27).

Ultimately Walker extracted sufficient facts to show the invalidating prior sale and public use; but not without continued evasion by FMC (R. 17-33).

When Walker had sufficient facts to file its motion for summary judgment (R. 34), FMC at first opposed the motion (R. 35-36). Its sworn opposition required further discovery by Walker (R. 36-50). At this point, FMC gave up and moved to dismiss its own action with prejudice (R. 55).

In *Colgate-Palmolive Company* v. *Carter Products,* 230 F. 2d 855, 866 (CA 4, 1956), the Court expressed the purpose in awarding attorney fees in an "exceptional case" to be

> "• • • to give the court power to throw the burden of unnecessary and vexatious litigation on the shoulders of those who are responsible for it."

FMC was responsible for Walker's having had to defend an unwarranted action on an unwarranted patent. FMC was also responsible for protracting the litigation with vexatious evasion and suppression of facts. FMC should pay.

CONCLUSION.

For the reasons set forth above, the judgment of the Court of Appeals, affirming the judgment dismissing the second amended counterclaim, and the order denying Walker attorney fees, should be reversed.

Respectfully submitted,

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No. 602

WALKER PROCESS EQUIPMENT, INC., PETITIONER

v.

FOOD MACHINERY AND CHEMICAL CORPORATION

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE

OPINIONS BELOW

The oral opinion of the district court (R. 64–68) is not reported. The opinion of the court of appeals (R. 80–82) is reported at 335 F. 2d 315.

JURISDICTION

The judgment of the court of appeals was entered on July 15, 1964 (R. 83), and a petition for rehearing was denied on August 14, 1964 (R. 84). The petition for a writ of certiorari was filed on October 19, 1964, and was granted on January 18, 1965 (R. 84). The jurisdiction of this Court rests on 28 U.S.C. 1254(1).

QUESTION PRESENTED

The United States will discuss the question whether a person injured in his business by a competitor's enforcement of a patent he obtained by fraud on the Patent Office may maintain an action for treble damages under the antitrust laws, on the theory that such conduct constitutes monopolization under Section 2 of the Sherman Act.[1]

STATUTES INVOLVED

Section 2 of the Sherman Act, 26 Stat. 209, as amended 69 Stat. 282, 15 U.S.C. 2, provides in pertinent part:

> Every person who shall monopolize, or attempt to monopolize, * * * any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor * * *.

The Declaratory Judgment Act, 28 U.S.C. 2201 provides:

> In a case of actual controversy within its jurisdiction, except with respect to Federal taxes, any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.

[1] This question comprehends the first two questions which petitioner presents. We express no views on the third question presented: whether the prevailing party in an infringement action brought on a fraudulently procured patent can recover attorney's fees under 35 U.S.C. 285 (Pet. 2, 12–14).

28 U.S.C. 1338 provides in pertinent part:

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases.

35 U.S.C. 282 provides in pertinent part:

A patent shall be presumed valid. The burden of establishing invalidity of a patent shall rest on a party asserting it.

The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

* * * * *

(2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,

(3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,

INTEREST OF THE UNITED STATES

This case presents the question whether a charge of illegal monopolization under the Sherman Act may be based upon the enforcement of a patent procured by fraud on the Patent Office. Many years ago the rule was enunciated that only the United States may maintain an action to cancel a patent for fraud. A patent, of course, gives a legal monopoly, and if a patent is obtained through fraud on the Patent Office,

there is a strong public interest in invalidating it, so that the public may be protected against an illegal monopoly. For this reason, alleged infringers have broad rights to challenge the validity of the patents involved. The United States believes that permitting a charge of illegal monopolization to be grounded upon the enforcement of a patent procured by fraud would serve the salutary purposes of protecting the public against illegally obtained patents and deterring frauds before the Patent Office, would not be inconsistent with the rule that only the United States may annul a patent, and would accord with settled principles under Section 2 of the Sherman Act.

STATEMENT

The facts are simple and undisputed. Respondent, Food Machinery and Chemical Corporation ("FMC"), filed an action against petitioner, Walker Process Equipment, Inc. ("Walker"), charging patent infringment (R. 3–4).[2] Walker denied the infringement and counterclaimed for a declaratory judgment that the patent was invalid (R. 10–12). After discovery proceedings, FMC moved to dismiss the infringement action with prejudice because, among other reasons, the patent had expired (R. 55).

Thereafter, Walker twice amended its counterclaim. The final pleading charged that FMC had "illegally monopolized interstate and foreign commerce by fraudulently and in bad faith obtaining and main-

[2] The patent in question (No. 2,328,655) issued in September 1943; it covered an aeration type sewage treatment system featuring moveable air diffusers (see R. 5–9).

taining against the public and [Walker] its patent in suit No. 2,328,655, well knowing that it had no basis for * * * a patent * * *" (R. 60). The alleged fraud was that FMC had sworn before the Patent Office that it neither knew nor believed that the claimed invention had been in public use in the United States for more than one year prior to the filing of its patent application when, in fact, it had been a party to such prior public use (R. 60–61). Walker further alleged that FMC's possession of the patent had "deprived [it] of profitable business [it] would otherwise have had * * *," citing five instances in which it "had received orders or was low bidder for aerator equipment but lost them because of the patent * * *" (R. 62). The relief requested, *inter alia,* was that FMC's conduct be adjudged "a violation of antitrust laws" and that Walker receive "an award of treble damages" (R. 63).

The district court dismissed the amended counterclaim (R. 64–69) and the Seventh Circuit affirmed (R. 80–83). The court of appeals summarized the pleading as charging that FMC had "violated the federal anti-trust laws by maintaining and enforcing a patent which was obtained through fraud upon the Patent Office * * *" (R. 80). Noting that "only the government may 'annul or set aside' a patent * * *" (R. 81) and that no case had "decided, or hinted that fraud on the Patent Office may be turned to use in an original affirmative action, instead of as an equitable defense", the court ruled (R. 82):

> Since Walker admits that its anti-trust theory depends on its ability to prove fraud

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on the Patent Office, it follows that * * * Walker's second amended counterclaim failed to state a claim upon which relief could be granted.

SUMMARY OF ARGUMENT

The theory of Walker's counterclaim was that since FMC had obtained its patent by fraud on the Patent Office, the enforcement of that patent against competitors constituted illegal monopolization. We submit that Walker's counterclaim charged a violation of Section 2 of the Sherman Act, and that, contrary to the holding of the court of appeals, Walker was not barred from maintaining its action by the rule that only the United States may seek to annul a patent for fraud.

First, if Walker's counterclaim was otherwise sufficient to state a claim, it was not barred by the rule that only the United States may sue to cancel a patent. The reasons for limiting the right to bring cancellation actions to the United States are inapplicable to a case where patent invalidity is merely an operative fact in a cause of action under the antitrust laws. In any event, such reasons are outweighed by the public policy favoring the elimination of fraudulently obtained patents, which otherwise would clog our system of free competition. This policy is reflected in the Declaratory Judgment Act, under which any person threatened with an infringement suit may challenge the patents involved. There is no reason why one whose business has been injured under color of a fraudulently procured patent should not have the same right.

Second, the allegations that FMC had secured its patent through fraud upon the Patent Office, and had thereafter employed it to injure Walker's business, state a claim for illegal monopolization in violation of Section 2 of the Sherman Act. A patent grants a monopoly, and the acquisition of such a monopoly by fraud on the Patent Office demonstrates that in monopolizing the patentee acted deliberately—a showing which is sufficient to establish the offense of monopolization. The case is entirely different from one in which a patent secured in good faith subsequently is held invalid, for there the intent to secure a monopoly is consonant with the purpose of the patent laws, and is protected by those laws.

ARGUMENT

THE ENFORCEMENT BY A PATENTEE OF A PATENT WHICH HE OBTAINED BY FRAUD ON THE PATENT OFFICE CONSTITUTES ILLEGAL MONOPOLIZATION, IN VIOLATION OF SECTION 2 OF THE SHERMAN ACT, FOR REDRESS OF WHICH A PRIVATE ANTITRUST ACTION WILL LIE

A. THE FACT THAT ONLY THE UNITED STATES MAY SUE TO CANCEL A PATENT DOES NOT BAR A PRIVATE PARTY FROM BASING AN ANTITRUST ACTION ON AN ALLEGATION THAT HE HAS BEEN INJURED THROUGH ENFORCEMENT OF A PATENT SECURED BY FRAUD UPON THE PATENT OFFICE

The court below correctly stated that only the United States may bring an action to annul a patent on the ground of fraud before the Patent Office. *E.g., Mowry* v. *Whitney,* 14 Wall 343; *Briggs* v. *United Shoe Machinery Co.,* 239 U.S. 48. But that rule does not bar a private party from basing an antitrust action upon a fraudulently procured patent mo-

nopoly, since the reasons for the rule are not relevant in this context. The rationale of the rule is two-fold: (a) Since there is no statutory authority to bring a private annulment action, it "is not a suit arising under the patent laws" over which the district court has jurisdiction under the judicial code. *Briggs, supra* at 50. (b) No private annulment action can be maintained under the court's general equity powers because a decree in one case would have a binding effect only on the parties to the case, so that a patentee could "be subjected to innumerable vexatious suits to set aside his patent * * *." On the other hand, by centralizing control of such actions in the Attorney General, such "oppression and abuse" can be avoided. *Mowry, supra,* at 441.

Neither reason is pertinent here. Walker's action was not brought under the patent laws, but under Section 4 of the Clayton Act, 38 Stat 731, 15 U.S.C. 15, which gives "[a]ny person * * * injured in his business or property by reason of anything forbidden in the antitrust laws" the right to sue for treble damages. The relief sought was an adjudication that FMC's conduct "constitute[d] a fraud on the Patent Office, * * *, a violation of antitrust laws, and unjust enrichment of [FMC]" at Walker's expense, for which "an award of treble damages" was asked (R. 63). The foundation of the claim is not the mere existence of a fraudulently procured patent, but the use of such patent to inflict injury upon this particular plaintiff, as distinguished from the public at large.

The fact that the effect of the attack on the patent, if sustained, may be to make the patent unen-

forceable as a practical matter, does not turn the action into one under the patent laws to cancel the patent. *Becher* v. *Contours Laboratories, Inc.*, 279 U.S. 388. There suit was brought in a State court to have Becher declared trustee *ex maleficio* of a patent for an invention which he had allegedly stolen from the inventor. The defendant attacked the State court's jurisdiction, pointing out that plaintiff was seeking the same practical result as if suit had been brought to invalidate Becher's patent, and that such an action could be brought only in the federal courts. This Court ruled (p. 391) that "even if the logical conclusion from the establishment of the [inventor's] claim is that Becher's patent is void, that is not the effect of the judgment. Establishing a fact and giving a specific effect to it by judgment are quite distinct. A judgment *in rem* binds all the world, but the facts on which it necessarily proceeds are not established against all the world, *Manson* v. *Williams*, 213 U.S. 453, 455, and conversely establishing the facts is not equivalent to a judgment *in rem*." Since in the present case Walker does not seek a judgment canceling the patent, it is similarly irrelevant that such a judgment *in rem* can be issued only in a suit brought by the United States.

As to the second point, there is no existing public policy which suggests that suits attacking the validity of patents must be confined to the hands of the Attorney General because of the alternative possibility of a multiplicity of "oppressive" actions. On the contrary, the many decisions which have recognized

the right of alleged infringers to raise, as a defense in the infringement suit, the claim that the patent was obtained by fraud or other inequitable conduct, reflect the public interest in extending the opportunities to eliminate the improper monopolies which such patents create. *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Mach. Co.*, 324 U.S. 806; *Hazel-Atlas Co.* v. *Hartford-Empire Co.*, 322 U.S. 238; *Shawkee Mfg. Co.* v. *Hartford-Empire Co.*, 322 U.S. 271; *Keystone Driller Co.* v. *General Excavator Co.*, 290 U.S. 240. Moreover, under the Declaratory Judgment Act, 28 U.S.C. 2201, any person threatened by patent infringement charges may bring an action for a declaratory judgment and directly challenge the validity of the patent. *E.g., Kerotest Mfg. Co.* v. *C-O-Two Fire Equipment Co.*, 342 U.S. 180; *Welch* v. *Grindle*, 251 F. 2d 671 (C.A. 9); *Technical Tape Corp.* v. *Minnesota Mining and Mfg. Co.*, 200 F. 2d 876 (C.A. 2); *Chicago Metallic Mfg. Co.* v. *Edward Katzinger Co.*, 123 F. 2d 518 (C.A. 7).[8] Thus, a person accused of infringement need not await the institution of a suit against him to challenge the patent, but himself may take the initiative in seeking to invalidate the patent. In short, persons other than the Attorney General now have the right to initiate

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[8] *E. W. Bliss Co.* v. *Cold Metal Process Co.*, 102 F. 2d 105 (C.A. 6), and *I.C.E. Corp.* v. *Armco Steel Corp.*, 201 F. Supp. 411 (S.D. N.Y.), relied on by the court below, as well as *Dimet Propriatary* v. *Industrial Metal Protectives*, 109 F. Supp. 472, 478 (D. Del.), are contrary to the cases cited in the text, and deny an alleged infringer the right to maintain an action for a declaratory judgment of invalidity. They apply the principle of *Mowry* without critical analysis.

and maintain actions which, if successful, will have the practical effect of invalidating a patent. See *Becher, supra.*

The ruling of the court below is the first, to our knowledge, denying a party the opportunity to establish a claim under a federal statute merely because he proposes to prove that the defendant committed a fraud on the Patent Office.[4] It would extend a relatively minor policy so as to obstruct the full utilization of rights expressly granted to private litigants by the antitrust laws, and would contravene policy considerations which argue that courts should be more, rather than less, interested in providing an opportunity to air charges of fraud in securing a patent. As this Court said in the *Precision Instrument* case, *supra*, at 816:

> A patent by its very nature is affected with a public interest. As recognized by the Constitution, it is a special privilege designed to serve the public purpose of promoting the "Progress of Science and useful Arts." At the same time, a patent is an exception to the general rule against monopolies and to the right to access to a free and open market. The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope. * * *

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[4] The *Bliss*, *I.C.E.*, and *Dimet* cases, cited in the preceding footnote, did not involve claims for damages under the antitrust or other substantive laws, but, so far as the opinions reveal, sought only declarations of invalidity.

B. THE MAINTENANCE OF A PATENT MONOPOLY SECURED BY FRAUD UPON THE PATENT OFFICE IS AN UNLAWFUL MONOPOLIZATION UNDER SECTION 2 OF THE SHERMAN ACT

Walker's counterclaim alleged that FMC obtained a patent by knowingly misrepresenting facts to the Patent Office (R. 60–61), and that FMC thereafter used that patent to injure Walker in its business by depriving it of orders through "threats of suit" and by bringing the infringement action to exclude Walker from the market (R. 62). We submit that these allegations, if proved, would establish a *prima facia* case of monopolization in violation of Section 2 of the Sherman Act. Therefore, Walker should have been permitted to go to trial. Cf. *United States* v. *Singer Mfg. Co.*, 374 U.S. 174, 199–200 (Mr. Justice White, concurring).

The offense of monopolization under Section 2 of the Sherman Act is established by proof (1) that the defendant possessed the power to exclude competitors from the relevant market and (2) that the power was deliberately obtained or maintained. *E.g., United States* v. *Griffith*, 334 U.S. 100; *American Tobacco Co.* v. *United States*, 328 U.S. 781. As to the first element of the offense, there can be no question but that a patent gives its owner power to exclude all competitors from the product market covered by the grant. "During its term, a valid patent excludes all except its owner from the use of the protected process of product." *United States* v. *Line Material Co.*, 333 U.S. 287, 308. And "[a] patent, moreover, although in fact there may be many competing substitutes for the patented article, is at least *prima facie* evidence of

[market] control." *Standard Oil Co.* v. *United States*, 337 U.S. 293, 307. The whole point of the patent is the power of exclusion which it gives to the patentee, and the scope of the power is measured by the claims which the patentee drafts to point out his new and useful contribution to industry. Thus "[p]atents * * * furnish the most familiar type of classic monopoly." *United States* v. *du Pont & Co.*, 351 U.S. 377, 392. Accordingly, there is at the very least a presumption that the patent monopolizes a "part" of trade or commerce within the meaning of Section 2.

Moreover, in the present case the record indicates that the patent apparently gave FMC broad market control. An FMC employee stated on deposition (R. 50) that it was "probably correct" that "throughout the life of the patent" FMC had "virtually no competition in the sale of swing diffusers." Furthermore, the second amended complaint alleged that Walker had actually lost sales upon five specific occasions "because of the patent" (R. 62). Such acts of exclusion, while not necessary to prove monopoly power (*American Tobacco Co.* v. *United States*, *supra*, p. 810), emphasize that the patentee's power here was real, and not merely a legal presumption.

As to the second element of the offense—that the monopolist deliberately acquired or maintained monopoly power—the fact that the power resulted from a patent presents a special case. Ordinarily, no "specific intent" is required to establish deliberateness, for "no monopolist monopolizes unconscious of what he is doing," *United States* v. *Aluminum Co. of America*, 148 F. 2d 416, 432 (C.A. 2). But the patent laws are

designed to offer inventors a legal monopoly, and it would conflict with that purpose to penalize a patentee who had merely pursued his statutory rights in good faith, solely because his patent turned out to be invalid. Cf. *United States* v. *General Electric Co.*, 80 F. Supp. 989, 1015 (S.D.N.Y.). Accordingly, deliberateness cannot be established merely by showing the mere obtaining and enforcing of a patent which subsequently is declared invalid.

We submit that proof of fraud in the procurement of a patent establishes deliberateness, and even "specific intent," which satisfies the second element of the offense. The fact that an applicant has deliberately misled a governmental office into granting an undeserved patent under color of which others may be excluded from the market is conclusive evidence of an intention to achieve unlawful monopoly power. While no case has directly passed upon this question, in an analogous situation the Second Circuit refused to dismiss a complaint charging an attempt to monopolize based upon allegations that the defendant "without probable cause and in bad faith" had claimed an exclusive right to a trade name. *Kellogg Co.* v. *National Biscuit Co.*, 71 F. 2d 662, 665-666.[4] The court reasoned, *id.* at 666 (emphasis added):

> While it doubtless would not be within the Anti-Trust Acts to bring a suit to assert a

[4] A violation of the Sherman Act may be predicated upon maintaining, or even threatening, patent infringement litigation in bad faith. *Patterson* v. *United States*, 222 Fed. 599, 613, 634 (C.A. 6); *Lynch* v. *Magnavox*, 94 F. 2d 883, 886, 889 (C.A. 9); *Stewart-Warner Corp.* v. *Staley*, 42 F. Supp. 140, 146 (W.D. Pa.); *United States* v. *Besser Manufacturing Co.*, 96 F. Supp. 304 (E.D. Mich.), affirmed, 343 U.S. 444.

> patent or trade-mark right whatever the motive, if the claim was valid, an attempt to assert a known invalid claim would be a different matter. * * *

That rationale is equally pertinent here.

We advocate no departure from the rule that a good faith attempt to enforce a patent which is later declared invalid will not support treble damage actions by the asserted infringers. See *Cole* v. *Hughes Tool Co.,* 215 F. 2d 924, 935–936 (C.A. 10), certiorari denied *sub. nom. Ford* v. *Hughes Tool Co.,* 348 U.S. 927. But that is not this case. What is involved here is the claim that Walker was injured by the enforcement against it of a patent which FMC obtained from the Patent Office through deliberate, material misrepresentations where, had the truth been known, the application would have been denied. In these circumstances, the counterclaim stated a claim for relief, and should not have been dismissed.

CONCLUSION

The judgment of the court of appeals affirming the dismissal of the second amended counterclaim should be reversed, and the case remanded to the district court for trial.

Respectfully submitted.

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In the

Supreme Court of the United States

October Term, 1964.

WALKER PROCESS EQUIPMENT, INC.,

Petitioner,

vs.

FOOD MACHINERY AND CHEMICAL CORPORATION,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit

BRIEF OF RESPONDENT.

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CITATIONS.

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Respondent.

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BRIEF OF RESPONDENT.

OPINIONS BELOW.

The opinion of the District Court for the Northern District of Illinois, Eastern Division (R. 64-68) is not reported. The opinion of the Court of Appeals for the Seventh Circuit (R. 80-82) is reported at 335 F. 2d 315.

JURISDICTION.

The judgment of the Court of Appeals was entered on July 15, 1964 (R. 83), and a petition for rehearing was denied on August 14, 1964 (R. 84). The petition for a

writ of certiorari was filed on October 19, 1964, and was granted on January 18, 1965 (R. 84). The jurisdiction of this Court was invoked by Petitioner under the provisions of 28 U.S.C. 1254(1).

STATUTES AND REGULATORY PROVISIONS INVOLVED.

Section 2 of the Sherman Act, 26 Stat. 209, as amended 69 Stat. 282, 15 U.S.C. sec. 2:

> "Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding fifty thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court."

Section 4 of the Clayton Act, 38 Stat. 731, 15 U.S.C. sec. 15:

> "Any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee."

Section 282 (2) (3) of the Patent Law, 35 U.S.C. sec. 282 (2)(3):

> "A patent shall be presumed valid. The burden of establishing invalidity of a patent shall rest on a party asserting it.

"The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

* * *

"(2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,

"(3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,"

Section 102(b) of the Patent Law, 35 U.S.C. sec. 102(b):

"A person shall be entitled to a patent unless—

* * *

"(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States * * *"

Appendix I, 35 U.S.C., 37 C.F.R. sec. 10.16, comprising Patent Office approved form of "Combined petition, oath and specification (single signature form), sole inventor", providing for an inventor's oath in part:

"* * * that I do not know and do not believe that this invention was ever known or used before my invention or discovery thereof, or patented or described in any printed publication in any country before my invention or discovery thereof, or more than one year prior to this application, or in public use or on sale in the United States for more than one year prior to this application * * *"

QUESTIONS PRESENTED.

(1) Whether an asserted fraudulent procurement from the Patent Office and subsequent maintenance of a patent constitutes monopolization *per se* under section 2 of the Sherman Act.[1]

(2) Whether Walker was entitled to attorneys' fees.[2]

STATEMENT OF THE CASE.

Respondent Food Machinery and Chemical Corporation ("FMC") filed suit for patent infringement in June, 1960 (R. 3-4) against Petitioner, Walker Process Equipment, Inc. ("Walker"). The question for the Court is the sufficiency of Walker's third attempt to convert its defense of unenforceability of the patent by reason of alleged fraud on the Patent Office into a claim for treble damages against FMC under the Sherman Act. The intendment of the second amended counterclaim may be best understood in the context of its evolution from Walker's prior pleadings.

Walker's first pleading (R. 10-12) alleged invalidity and non-infringement of FMC's patent and unenforceability of the patent by reason of "unclean hands." Paragraph 11 (R. 11) contained a gloss in which Walker asserted that "this [plaintiff's alleged unclean hands] also constitutes violation of the anti-trust laws." There was no other reference of any kind to purported anti-trust violations.

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[1] The purpose of this brief is to demonstrate that the question as thus presented is the only real question in the case and, if the Court please, must be answered in the negative.

[2] Although FMC deems this question neither substantial nor appropriate for decision by the Court in pursuance of certiorari, the question is briefly discussed in the Argument.

Walker's amended counterclaim, filed some two and one-half years later and after the issue of infringement had become moot because the patent in suit had expired and FMC had sought voluntary dismissal of its complaint (R. 57-59) alleged what it characterized as "technical fraud" (R. 72). Paragraph 16 of the amended counterclaim stated (R. 72):

> "Plaintiff obtained and maintained its patent by virtue of at least technical fraud on the Patent Office, the circumstances indicating, subject to disproof by Plaintiff, that the fraud was willful. There was at least technical fraud in filing the patent application with the usual oath which was inconsistent with facts known to Plaintiff, *i.e.*, facts concerning Plaintiff's own activities in connection with the sale of diffuser units according to the patent in suit, and their installation in sewage treatment aeration tanks more than a year before the application filing date."

The pleading now before the Court, Walker's second amended counterclaim (R. 60-63) again claimed monopolization by reason of alleged bad faith and non-disclosure to the Patent Office of prior public use and asked for adjudication that "this constitutes a fraud on the Patent Office and on this Court, a violation of antitrust laws, and unjust enrichment of Plaintiff."

Both the amended counterclaim (R. 73) and the second amended counterclaim (R. 62) sought to at least "sound" in antitrust by alleging illegal tie-ins, but such claim, as well as the unjust enrichment claim, was quickly abandoned by Walker and is not in issue here. With abandonment of the claim of "illegal tie-ins" the second amended counterclaim returned to rest at the starting point of the original counterclaim and it is thus clear that Walker's claim is confined solely to the theory that

FMC's alleged fraudulent non-disclosure to the Patent Office of prior public use is *per se* illegal monopolization in violation of the Sherman Act.

The Court is respectfully reminded that in this case it is not confronted with an arbitrary dismissal by the District Court of an original antitrust complaint, but rather with the legal sufficiency of a third attempt to convert a defense of invalidity of a patent into an affirmative action for treble damages under the Sherman Act. After its third failure, Walker made no further effort to seek leave in the District Court to amend its claim but elected to stand on the stricken pleading and appeal to the Court of Appeals. Under the circumstances, and at this late date, in fairness to FMC and to the Courts the stricken pleading must be evaluated on its own terms and not in terms of what it might have claimed or in terms of how it might have been amended.

The United States is not a party to this case and is not directly affected. The Solicitor General, however, has filed a brief for the United States as amicus curiae in support of Walker's position. FMC's brief is responsive to the briefs of both Walker and the United States.

SUMMARY OF ARGUMENT.

The case arrived in the Court solely on the question of sufficiency of Walker's third attempt to convert a defense of unenforceability of the patent in suit into an affirmative action for antitrust treble damages. There was no hearing in the District Court; there has been no adjudication of fraud on the Patent Office; the content of the alleged fraud remains purely conjectural and speculative.

With the presentation of briefs by both Walker and the United States as amicus curiae it is now entirely clear that the most Walker claims is that to maintain a patent allegedly obtained by fraud on the Patent Office constitutes *prima facie* or *per se* unlawful monopolization under Section 2 of the Sherman Act. Walker's allegations of "threats of suit" (R. 62) and the fact that FMC filed its infringement action against Walker (R. 62) do not add substantially to the claimed offense or violation but serve essentially to posture Walker with standing to sue as a person allegedly "injured in his property or business" within the meaning of Section 4 of the Clayton Act.

Thus, both Walker and the United States, paying no heed to the lesson available from the Court's decision in *White Motor Company* v. *United States,* 372 U.S. 253, are asking the Court to establish a new, special, *sui generis* category of *per se* antitrust offense called "fraudulent procurement and maintenance of a patent."

First. The Question Presented. Walker's theory is predicated on the erroneous assumption that all patents grant a "monopoly", that all such monopolies necessarily violate Section 2 of the Sherman Act; thus were it not for the special exception or immunity granted to a patentee by the patent law, the assertion by a patentee of rights under a patent would necessarily violate Section 2 of the Sherman Act. Therefore, so the theory runs, if patent rights are nullified by reason of fraud on the Patent Office in obtaining the patent, the immunity from Section 2 of the Sherman Act is correspondingly nullified. *Ergo,* without more, the assertion of any rights under any patent by the fraudulent procurer of such patent automatically violates Section 2.

The conclusion, of course, rests on the logical fallacy of utilizing in the syllogism an ambiguous coordinate term; the word "monopoly" has one meaning in the context of patent rights and an entirely different meaning in the context of trade practices condemned by the Sherman Act. The distinction between the salutary "limited monopoly" or "right to exclude" granted by the patent laws to encourage and reward inventors and gain new technology and industry for the public where none existed before and the Sherman Act monopoly that stifles competition has been carefully guarded by the courts.

The Court is certainly not obliged at this late date in the development of both the Sherman Act and the patent laws to decide a case only to again announce the obvious distinction between patent monopolies and Sherman Act monopolies.

Second. Per Se Illegality. The concept of *per se* illegality under Section 2 of the Sherman Act is novel. The antitrust tradition of the Court as developed in the Section 1 cases and recently summarized and carried forward in the *White Motor Company* decision (372 U.S. 253) is to very carefully limit the areas of *per se* illegality. It is not only unnecessary but it is entirely inappropriate to ask the Court to create a new rule of antitrust illegality *per se* from a situation presented only by a pleading in which the essential wrongdoing remains speculative and which is totally lacking in any suggestion of economic or market effect.

Third. The Offense of Monopolization. Although it seems abundantly clear that the only question presented is whether the alleged wrongdoing is *prima facie, per se* or *presumptively* illegal monopolization under Section 2 of the Sherman Act, Walker may contend, as a las

resort, that it is still open to it to prove monopolization by establishing the relevant market. A portion of the FMC argument is thus devoted to analysis of the Walker claims and to establishing (i) that in no event does Walker claim more than the *per se* equation between patent monopoly and illegal monopolization and that the sufficiency of this equation is the only question involved, (ii) that the Sherman Act concept of monopolization has economic and legal meaning only in terms of a relevant market framework and that such framework is conspicuously missing, (iii) that the attempt of the United States to supply the missing relevant market context by arguing that a patent presumptively monopolizes a "part" of trade or commerce within the meaning of Section 2 of the Sherman Act is a *non-sequitur* devoid of economic or legal meaning, and (iv) that in no event does Walker plead a case of illegal monopolization by FMC.

Fourth. The Opinion of the Court of Appeals. Walker, by its pleading and argument urged the Court of Appeals to adopt a new category of antitrust violation called "fraudulent procurement and maintenance of a patent." The Court of Appeals correctly pointed out that Walker offered no authority in support of its claim since, indeed, there is none. In the context of Walker's position the Court of Appeals' observation that "Walker admits that its anti-trust theory depends on its ability to prove fraud on the patent office" (R. 82) necessarily meant that Walker's antitrust theory was dependent on establishing fraud on the Patent Office as the complete and entire basis of its right to recover. The Court of Appeals properly held that it could not recover on that sole basis.

Fifth. Improvident Grant of the Writ. For purposes of presenting its position and establishing that in no

event did the stricken pleading state a claim for which relief may be granted on the basis of unlawful monopolization, the Argument of FMC assumes that "fraud on the Patent Office" has been sufficiently pleaded. Nonetheless, the asserted fraud is essentially only a characterization by the pleader of the operational facts alleged in the pleading. Walker claims that the applicant misrepresented to the Patent Office that he "does not know and does not believe that the same [the subject of the patent] was * * * in public use or on sale in the United States for more than one year prior to this application (R. 61).[3] From the standpoint of the particularity required by Rule 9(b), Federal Rules of Civil Procedure, at bottom all that Walker alleged was nondisclosure to the Patent Office of prior public use.

Thus the question of fraud is not reached until the threshold question of prior public use is determined. There are numerous cases of protracted experimental or partial use that reflect the difficulty of passing on the question of prior public use, thus militating against a determination of fraud in such cases. Moreover, the cases uniformly hold that prior public use must be established by evidence that is so clear, convincing and cogent as to admit of no reasonable doubt.

Thus, under the circumstances, to ask the Court to hold merely that under some undefined conditions exercise of rights under an assertedly fraudulently procured patent might constitute monopolization under Section 2 is to invite the Court to pass on a hypothetical question. Walker does not, however, ask the Court to

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[3] The misrepresentation or asserted fraud arises from the Patent Application of February 2, 1942 by William H. Lannert, assignor to Chicago Pump Co. (R. 7). FMC acquired Chicago Pump Co. in 1954.

permit it to create a further record but relies entirely on the proposition of *per se* illegality by reason of its false equation between so-called "patent monopoly" and Sherman Act monopoly. Accordingly, Walker's case presents no question of legitimate antitrust concern and FMC therefore urges that the case is one in which the Court, upon plenary consideration, should conclude that certiorari was improvidently granted.

Sixth. Attorneys' Fees. The consideration given to the matter by the District Court and the Court of Appeals, particularly since there was no adjudication of fraud, was manifestly sufficient and there are no considerations of public importance concerning the matter which warrant or justify review by the Court.

ARGUMENT.

I. THE SECOND AMENDED COUNTERCLAIM IS DEFICIENT AS A CLAIM ON WHICH RELIEF MAY BE GRANTED FOR MONOPOLIZATION UNDER SECTION 2 OF THE SHERMAN ACT.

A. To Establish Monopolization it is First Necessary to Define or Describe the Relevant Market.

Regardless of the nature or amount of commerce involved the requisites of a cause of action under Section 2 of the Sherman Act remain the same. It is necessary to plead and establish "monopolization", "attempted monopoly" or "combination or conspiracy to monopolize."

Neither the United States nor Walker argue for or claim "attempted monopoly" or "combination or conspiracy to monopolize"—all that is claimed is "monopolization."[4]

At most Walker alleges what might be called "monopoly by patent." However, without allegation and proof of unlawful use of monopoly power in a defined or cognizable economic market area the status of having a monopoly is not, as such, an offense under Section 2 of the Sherman Act.

Whereas under Section 1 the inquiry into legality begins with an analysis of the reasonableness of the alleged restraint or suppression, under Section 2 the

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[4] Both Walker and the United States refer *in passim* to "illegal monopolization"; they can be referring by this only to the offense of "monopolization" within the meaning of Section 2 of the Sherman Act.

inquiry into legality begins with an analysis of the relevant market area. In neither case, except in the narrow domain of *per se* prohibitions can legality be determined without viewing the alleged offense in the framework of wider considerations. What "reasonableness" is to Section 1, the "relevant market" is to Section 2. Each provides the frame of reference that gives economic and legal significance to challenged conduct. As the Court said in *United States* v. *E. I. duPont deNemours & Co.*, 351 U.S. 377, 393: "Section 2 requires the application of a reasonable approach in determining the existence of monopoly power just as surely as did § 1."

The Court has often enough made it clear that the delineation of a relevant market is an indispensible component in the determination of the existence of monopoly power. *Brown Shoe Company* v. *United States*, 370 U.S. 294, 325; *United States* v. *E. I. duPont deNemours & Co.*, 353 U.S. 586, 593-595; *United States* v. *Columbia Steel Co.*, 334 U.S. 495, 527; *Times-Picayune Publishing Co.* v. *United States*, 345 U.S. 594, 610.

B. The Defeated Claim is Solely a Claim of Monopolization per se.

Walker's failure to refer to market considerations and its direct equation of a fraudulently procured patent with a Section 2 illegal monopoly makes it abundantly clear that the issue is limited to *per se* or as the United States expresses it (U.S. Br. 12) *prima facie* illegality.

Nowhere does the stricken pleading set forth a description of business practices in some way involving, relating to, or affecting any relevant market. There are at least two reasons for Walker's neglect of such an indispensable element of its claim. *Firstly*, Walker's sole position is that the mere assertion of rights under a patent al-

legedly obtained by fraud is, without more, equivalent to monopolization under Section 2 of the Sherman Act; *secondly*, the very nature of the FMC patent—a device for moving "swing diffusers" used in sewage treatment systems (R. 5-9) implies that it has many market substitutes and surely does not comprise a relevant market in and of itself. The United States, in casting about for a relevant market, gratuitously went beyond the pleadings to refer to FMC's sale of its swing diffusers (U.S. Br. 13). However, the amended counterclaim (R. 74) shows that Walker itself was manufacturing and selling similar devices for raising diffusing means from an aeration tank—single pivot swing risers and hoists for swing risers.

The concrete situation presented in this case amply illustrates the fallacy in equating the market control defined by a patent with illegal market control obtained by monopolization. The scope of market control through a patent is automatically defined by the claims of the patent. The scope of the relevant market, however, is defined by the range of substitutes "reasonably interchangeable" by users or customers; such range of commodities "make up that 'part of the trade or commerce', monopolization of which may be illegal." *United States v. E. I. DuPont DeNemours & Co.*, 351 U.S. 377, 394-395.

Cameron Iron Works, Inc. v. *Edward Valves, Inc.*, 175 F. Supp. 423 (S.D. Tex.) is a pointed example of application of the relevant market requirement is a case similar to this case. In that case plaintiff sued to enforce its patent covering certain improvements in valves for controlling the flow of abrasive-laden fluids. Defendant relied on the usual patent defenses and filed a counterclaim charging plaintiff with attempting to monopolize the market in valves "sized especially for mudline service

and having resilient sealing surfaces which render them capable of effectively controlling the flow of abrasive-laden fluids circulated in the mud supply system of drilling oil wells." The Court found, however, that the evidence failed to show that any separate market existed in valves with resilient sealing surfaces for mudline service but rather that such valves in fact competed with valves having metal to metal seals.

Unlike the present case, the *Cameron* counterclaim at least attempted to define the market area in which trade was allegedly monopolized. *Cameron* illustrates, however, that not every device or product comprises a relevant market area in and of itself and that to attempt to universally equate "monopoly by patent" with monopolization under section 2 of the Sherman Act is economically and legally meaningless.

C. The Alleged Offense or Violation is not Illegal Per Se under Section 2 of the Sherman Act.

In the seventy five year history of the Sherman Act the Court has held that only a handful among the myriad trade practices comprising the American economy are by their very nature so unduly restrictive and lacking in justification that they are always illegal—that is, illegal, *per se*. In *White Motor Company* v. *United States*, 372 U.S. 253, the Court most recently catalogued the areas of *per se* illegality and refused in the absence of presentation of market and economic data, to extend the holding of *Timken Roller Bearing Co.* v. *United States*, 341 U.S. 593, to certain vertical territorial restrictions.

The tradition of the Court has been to be chary in creating categories of *per se* liability. There is nothing in any decided case under Section 2 remotely suggesting

the existence of a category of *per se* offense in the nature of "fraudulent procurement and maintenance of a patent." No case cited by Walker or the United States implies either the possibility or desirability of such a category.

As in *White Motor Company* the Court is presented only with an abstract proposition. Neither the fact of the so-called fraud, its scope or nature, nor the nature and extent of the relevant market is before the Court. Based on the case pleaded it is clear that Walker deems the relevant market immaterial and has no intention of presenting a case in which the market consequences of the conduct complained of may be appraised in the context of any part of trade or commerce within the meaning of Section 2.

It is also manifest that matters such as prior public use which invalidate a patent usually involve very close and technical questions (discussed *infra*, pp. 27, 28). To strip a patentee of the antitrust immunity conferred by the patent laws and to expose him to treble damage suits is a severe remedy which, if not carefully circumscribed, could have the unintended effect of inhibiting the legitimate purposes of the patent laws. To create such a remedy as a *per se* matter would be intolerable.

Public policy should, of course, move swiftly to strike down efforts to monopolize an industry or a market through patent practices or devices by which trade predators seek to expand the benefit of patents beyond the boundaries of the patent grant. Correspondingly, public policy should be equally alert to protect the rights of patent owners against an onslaught of poorly defined and ill-conceived claims. In view of the objectives of

both the patent system and the antitrust laws it is particularly inappropriate to look for *per se* rules in areas where patents and antitrust are touching.

Moreover, if the United States is correct in its assertion that fraudulent procurement of a patent may be used affirmatively as a ground for declaratory judgment by one threatened by patent infringement charges from the holder of such a defective patent (U.S. Br. 10), then relief, on such basis, is available. Based on such considerations it is quite clear that unavailability of antitrust relief certainly does not leave a gap in the regulatory scheme of patent procurement and enforcement.

Under such circumstances there can be no legitimate concern with seeking to establish applicability of the Sherman Act to the claim presented by Walker. Of course, to the extent that conduct may be characterized as illegal *per se*, the enforcement problems of the Department of Justice are simplified. From the standpoint of the Department of Justice it is thus always desirable to promote the position that conduct is illegal *per se*. However, simplification of enforcement problems is not and should not be paramount in determining the rights of parties under criminal statutes.

D. There can be no "Presumption" that a Patent Monopolizes a "Part" of Trade or Commerce within the Meaning of Section 2.

The United States would like to bridge the gap between "patent monopoly" and monopolization of a relevant market by relying on "a presumption that a patent monopolizes a 'part' of trade or commerce within the

meaning of Section 2." (U.S. Br. 13) This is indeed a sweeping presumption, particularly when it is appreciated that "relevant market" is the *Standard Oil* case "rule of reason", the foundation of Sherman Act construction, translated into terms of Section 2.

Everyone who conducts business or derives revenue from a commercial undertaking is engaged in a "part" of trade or commerce to the exclusion of all others. One preempts—or monopolizes, as it were—such "part" of trade or commerce. However, "part" of trade or commerce under Section 2 of the Sherman Act relates to a relevant market, the degree of control over which may be measured or estimated and appraised as monopolistic or not. Were it not for the aspect of relevant market every corner druggist and grocer would be an illegal monopolist.

The Court has made it abundantly clear that monopolization is not mere preemption of or dominion over an enterprise. In *United States* v. *E. I. duPont deNemours & Co.*, 351 U.S. 377, the Court said (p. 393):

> "A retail seller may have in one sense a monopoly on certain trade because of location, as an isolated country store or filling station, or because no one else makes a product of just the quality or attractiveness of his product, as for example in cigarettes. Thus one can theorize that we have monopolistic competition in every nonstandardized commodity with each manufacturer having power over the price and production of his own product. However, this power that, let us say, automobile or soft-drink manufacturers have over their trademarked products is not the power that makes an illegal monopoly. *Illegal power must be appraised in terms of the competitive market for the product.*" (italics added)

The Report of the Attorney General's National Committee to Study the Antitrust Laws (1955) shows up the fallacy in the theory (U.S. Br. 13) that a patent presumptively monopolizes a "part" of trade and commerce (pp. 47-48):

> "Section 2 of the Act (unlike Section 1) specifies that it applies to offenses affecting '*any* part of the trade or commerce among the several States, or with foreign nations.' In fact, Section 1 has been applied to restraints of competition in markets which are defined and identified in exactly the same way as are 'markets' for purposes of Section 2. It is sometimes suggested that the words 'any part' of trade or commerce in Section 2 refer merely to an amount of business sufficient in volume to overcome the objection *de minimis non curat lex.* But the concept of 'the market' is not brought into the antitrust laws by the words 'any part' in Section 2; rather it is integral to the basic concept of 'monopolization', and the ideas of competition and monopoly on which it rests. Thus, Section 2 of the Sherman Act deals with monopolization affecting *markets* which constitute 'any part' of the trade or commerce covered by the Act. *To be sure, an appreciable amount of commerce is a 'part' of commerce, but control over an appreciable amount of commerce does not necessarily mean control over an identifiable market which constitutes an appreciable 'part' of commerce.* (italics added)
>
> * * *
>
> "Sometimes the part of commerce affected by the defendants' conduct will also be a market; but this does not necessarily follow. *Without a finding as to the market involved, there is no way of determining whether or not the defendants have a given degree of market power.*" (italics added)

It is thus obvious that "a presumption that a patent monopolizes a 'part' of trade or commerce within the meaning of Section 2" is hardly a sufficient substitute for allegation and proof of the crucial relevant market requirement of Section 2.

E. When the Claim under Section 2 of the Sherman Act is Monopolization, "Intent" is not Relevant unless Monopolization is Established.

The United States says (U.S. Br. 12):

> "The offense of monopolization under Section 2 of the Sherman Act is established by proof (1) that the defendant possessed the power to exclude competitors from the *relevant market* and (2) that the power was deliberately obtained or maintained." (italics added)

In order to fulfill the first requirement for the offense of monopolization the United States attempted to substitute for the crucial relevant market requirement a "presumption" that a patent monopolizes a "part of trade or commerce". Such prestidigitation, as pointed out *supra* pp. 17-19 is insufficient.

Then, in an effort to fulfill the second requirement the United States says (U.S. Br. 14):

> "We submit that proof of fraud in the procurement of a patent establishes deliberateness, and even 'specific intent', which satisfies the second element of the offense."

However, it is absolutely clear from the prior discussion, *supra* pp. 17-19, and from the quoted definition of monopolization furnished by the United States that unless and until monopoly power in a relevant market is demonstrated, the element of deliberateness or of intent (which may serve to make either the acquisition or exercise of monopoly power unlawful) is immaterial. Therefore, in the absence of even an attempted delineation by Walker of a relevant market, regardless of what "intent" may have accompanied procurement of the FMC patent, the offense of monopolization cannot be established.

The reference by the United States to *Kellogg Co.* v. *National Biscuit Co.*, 71 F. 2d 662 (CA-2), does not in any way modify the foregoing considerations. *Kellogg* was not a Section 2 monopolization case and, in any event, the *Kellogg* court (pp. 665, 666) clearly required more for a cause of action than a bad faith claim to an exclusive right to a trade name.

F. The Monopoly of a Patent Grant and Monopolization Within the Meaning of Section 2 of the Sherman Act cannot be Equated.

Walker's position is based on a failure or refusal to distinguish between the terminology and purposes of patent policy and the terminology and purposes of antitrust policy. It is only by transplanting the word monopoly from the context of patent policy to the context of antitrust policy that it is possible for Walker to even express its claim in antitrust terms.

The same failure to distinguish is expressed in the brief of the United States (U.S. Br. 7):

> "A patent grants a monopoly, and the acquisition of such monopoly by fraud on the Patent Office demonstrates that in monopolizing the patentee acted deliberately—a showing which is sufficient to establish the offense of monopolization."

Both the United States and Walker indiscriminately equate the special privilege granted to an inventor with a monopoly consummated by a successful trade predator. These two concepts of monopoly denote entirely different economic realities and are hardly co-extensive.

To arrive at the conclusion of *per se, presumptive* or *prima facie* illegality, it is necessary to start with the

premise that all patents are illegal monopolies under Section 2 of the Sherman Act, but because of the immunity provided by the patent laws, patents comprise legal monopolies. Therefore, if a patent loses the protection of the patent laws by reason of fraud in the procurement (but why not for any other reason?) it is no longer a legally protected monopoly and hence comprises an unlawful monopoly. Unless the word "monopoly" always has the same meaning for both patent and Sherman Act purposes, the syllogism is false.

The Patent Office has described the nature of a patent and patent rights as follows:

> "The exact nature of the right conferred must be carefully distinguished, and the key is in the words 'right to exclude' . . . The patent does not grant the right to make, use, or sell the invention but only grants the exclusive nature of the right. *Any person is ordinarily free to make, use, or sell anything he pleases, and a grant from the Government is not necessary. The patent only grants the right to exclude others from making, using, or selling the invention.* Since the patent does not grant the right to make, use, or sell the invention, the patentee's own right to do so is dependent upon the rights of others and whatever general laws might be applicable. A patentee, merely because he has received a patent for an invention, is not thereby authorized to make, use, or sell the invention if doing so would violate any law."
>
> U.S. Dep't. of Commerce, *General Information Concerning Patents* 20, 21 (March 1954).

The fundamental purposes underlying the Sherman Act have been set forth in many decisions. The end sought to be achieved was to secure the advantages of a free competitive market to the consumer and to

preserve freedom to engage in the business of one's own choosing, safe against the evils of monopoly and illegal restraints of trade.

The antitrust laws of course are based on the philosophy of free enterprise and private initiative. Similarly, the patent laws in seeking to encourage and reward inventors for their contributions and to stimulate them to further effort, are based upon the same philosophy. A patent, by granting to the inventor a "right to exclude", thereby also grants to the inventor what has traditionally been called a "limited monopoly" or a "patent monopoly."

The Report of the Attorney General's Committee to Study the Antitrust Laws (1955) stated (p. 225):

> "*—the patent seeks to increase competition by what is superficially an inconsistent grant of monopoly, but is in fact a mechanism intended to assure competition in invention.*" (italics added)

A recent commentator observes:[5]

> "From time to time, the misconception has spread that patents for inventions are like common law monopolies which choke progress and restrain trade. This is untrue, for a "common law monopoly" takes away from the people some right which they previously had. A patent right, on the other hand, is an exclusive franchise which covers only something new, something discovered or created by the individual. If the patent covers only that which has previously been known in the public domain, the inventor has produced nothing new, his patent is invalid, and his exclusive franchise fails.
>
> "It is regrettable that the term 'monopoly' is so generally and carelessly used to designate the right con-

[5] Briskin, "An Area of Confusion: Patents, Monopolies and the Antitrust Laws," 49 A.B.A.J. 661-62 (1963).

ferred by a patent, since odium is attached to 'monopoly' in the public mind. Much of the confusion lies in the lack of clear understanding of the nature of the patent grant or 'monopoly'."

A comprehensive analysis and description of the development of the patent system and its relationships to antitrust, bearing out the views quoted here, is contained in the dissenting opinion of Mr. Justice Burton in *United States* v. *Line Material Company*, 333 U.S. 287, 328-341.

It follows from the foregoing that Walker's attempted equation between "patent monopoly" and Sherman Act monopolization is not valid, as it must be if Walker and the United States are to sustain the proposition that removal of the protection of the patent grant by reason of fraudulent procurement of a patent automatically results in turning any assertion of rights under the erstwhile patent into a Section 2 offense. The Court's passing observations in different contexts for different purposes in *Standard Oil Co.* v. *United States*, 337 U.S. 293, 307 and *United States* v. *E. I. duPont deNemours & Co.*, 351 U.S. 377, 392 (U.S. Br. 13) do not begin to support any such equation.

II. UPON PLENARY CONSIDERATION THE COURT SHOULD CONCLUDE THAT CERTIORARI WAS IMPROVIDENTLY GRANTED.

The "fraud" that Walker would have the Court use as the cornerstone of a new type of Sherman Act violation is so lacking in substance and definition that it hardly lends itself to construction of a rule of general application. Essentially, the most that Walker alleges is nondisclosure to the Patent Office of prior public use which Walker self-servingly characterizes as "bad faith" and "fraud."

Such non-disclosure is certainly not necessarily a fraud and FMC categorically denies the imputation of fraud. The asserted fraud took place 23 years ago, 12 years before FMC acquired the patent owning company (see note 3, p. 10 *supra*). In any event, if the disputed facts and circumstances as to prior public use were ultimately resolved against FMC, the nature and closeness of the questions involved hardly suggest bad faith or fraud.

A very similar situation was presented to the Court of Appeals for the Sixth Circuit in *Huszar* v. *Cincinnati Chemical Works, Inc.*, 172 F. 2d 6. The court said (p. 11):

> "We think, however, that the finding of fraud was unwarranted. It is an established and salutary principle that fraud is never to be presumed but must be proved by clear and convincing evidence. There must have been an intention to deceive and the mere fact that the appellant swore to affidavits that there had been no public use of his invention for more than one year prior to his application, does not seem to us to be enough to establish such intent when it is clear that the question of whether or not there has been a public use in varied circumstances is one that for many years has troubled the courts with no unanimity of decision thereon, and where, as here, the affiant is not a lawyer. There may have been, and the proofs do not gainsay it, an honest belief that the use to which the alleged invention had been put was not technically a public use within the sense of the statute."

The burden of proving the underlying fact of prior public use (without which the question of asserted fraud cannot even arise) is a strict and over-whelming burden. Patents, of course, are presumed valid (35 U.S.C. sec. 282).

Section 282 of Title 35 U.S.C. provides:

> "The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:
>
> * * *
>
> "(2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability.
>
> "(3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of section 112 or 251 of this title."

Part II of Title 35 provides for "Patentability of Inventions and Grants of Patent," and section 112 provides the manner for "specification" of the applicant's claims. Section 115 provides for an "Oath of Applicant." Section 251 is not material here. In pursuance of sections 112 and 115 the Patent Office provides a form of "Combined petition, oath and specification (single signature form), sole inventor" (35 U.S.C. Appendix I; 37 C.F.R. sec. 10.16). It is the form of oath that contains the subject disclaimer of prior use or sale.

Thus, under the Patent Law, prior public use or sale is conferred as a defense to a patentee's suit claiming validity of his patent and infringement by the defendant. Proof of prior public use or sale invalidates the patent and defeats the suit for infringement.

The cases are uniform in holding that prior public use must be established by evidence that is so clear, convincing and cogent as to admit of no reasonable doubt. *Cantrell* v. *Wallick*, 117 U.S. 689; *Devex Corporation* v. *General Motors Corporation*, 321 F. 2d 234 (CA-7); *Long Manufacturing Company, Inc.* v. *Holliday*, 246 F. 2d 95 (CA-4). In addition, there are numerous cases reported of protracted experimental or partial use that reflect the difficulty of pass-

ing on the question of prior public use. *City of Elizabeth* v. *American Nicholson Pavement Company,* 97 U.S. 127; *Beedle* v. *Bennet,* 122 U.S. 71; *Amerio Contact Plate Freezers, Inc.* v. *Belt Ice Corporation,* 316 F. 2d 459 (CA-9).

It is thus apparent that the establishment of prior public use, let alone fraud, carries a difficult burden. Although prior public use is a statutory defense, the authorities are divided on whether fraudulent, bad faith or other inequitable procurement, as such, is available as a defense. The United States has cited cases permitting the defense to be made and cases in which the defense was held unavailable (U.S. Br. 10). The Court of Appeals did likewise (R. 82). The indiscriminate use of the word "fraud," like the indiscriminate use of the word "monopoly" presents difficulties since it has many meanings; contrary to the contentions of the United States, it is by no means established that any conduct whatever which might be characterized as fraudulent is sufficient to comprise a defense to enforcement of a patent.

The Court, however, is asked to utilize the word "fraud" (as though its content was always fixed and definite) upon which to erect a new category of Sherman Act liability. To decide merely that under *some* conjectural circumstances maintenance of a "fraudulently" procured patent might constitute monopolization under Section 2 would be only to promulgate a truism. To attempt, on the other hand, to delineate the nature of such circumstances would involve the Court in speculative and hypothetical questions. In either event Walker's case would not be advanced since, as made clear throughout this brief, Walker (and the United States) contend only for a *per se* violation.

Finally, the Court's attention is respectfully invited to paragraph 18 of the stricken pleading (R. 61-62) in which Walker claims that by letter of December 18, 1956 it raised the issue with FMC of invalidity of the FMC patent by reason of prior public use. From that point forward Walker, if it had reasonable grounds for believing its own contentions, could have infringed with impunity and successfully defended an infringement suit; or, if the United States is correct (U.S. Br. 10-11) Walker could have sought anticipatory relief from "threats of suit" by proceeding under the Declaratory Judgment Act, 28 U.S.C. 2201. In order to gain any support for the public policy arguments that the United States makes in urging the Court to extend antitrust relief (U.S. Br. 3-4) the United States would have to demonstrate that relief under the Declaratory Judgment Act is unavailable to one threatened with an infringement suit by the holder of a "fraudulent" patent.

It is respectfully submitted that the foregoing considerations place Walker's claim in proper perspective and underscore FMC's contentions that the case is one in which the Court, upon plenary consideration, should conclude that certiorari was improvidently granted.

III. THE COURT OF APPEALS CORRECTLY HELD THAT FRAUD ON THE PATENT OFFICE AS THE SOLE AND COMPLETE BASIS OF RECOVERY DOES NOT STATE A CLAIM ON WHICH RELIEF MAY BE GRANTED UNDER THE SHERMAN ACT.

The proper function of the Court of Appeals and the function exercised by it in this case was to pass on the sufficiency of the District Court's decision. If the decision was proper on any basis the Court of Appeals was obliged to sustain it. *Helvering* v. *Gowran*, 302 U.S. 238, 245.

By its attempted analogy to patent misuse Walker sought to persuade the Court of Appeals that alleged fraudulent procurement of a patent was necessarily offensive to the antitrust laws. However, at bottom, misuse is a defense to enforcement and not every misuse is an antitrust violation.

The logical relation of patent misuse to antitrust violations is summed up in the Report of the Attorney General's National Committee to Study the Antitrust Laws (1955), page 254. The Committee said:

> "We reject the view that any violation of patent law necessarily violates the antitrust laws. From some abuses of patent policy may flow consequences not drastic enough to meet antitrust prerequisites of effect on competition. In addition, many patent abuses are more effectively curbed by simply denying equitable relief as a matter of patent policy. Holding every patent law transgression to be at the same time an antitrust violation would, moreover, put the patent owner on a different footing than owners of other property subject to antitrust. For antitrust has its own measure of permissive and wrongful conduct. To say that action beyond the borders of the patent grant is a *per se* antitrust violation is to ignore the Supreme Court's distinctions between the variant statutory standards of the Sherman, Federal Trade Commission and Clayton Acts as well as to repudiate the body of interpretations distinguishing between offenses unreasonable *per se* and those not."

Title 35 U.S.C., section 282(2)(3) specifically provides for a defense of invalidity based upon statutory defects in procurement of a patent. The Court of Appeals, stating as it did in its opinion (R. 82) that "Walker shows us no case in which the issue of fraud on the Patent Office was used affirmatively in an antitrust action" made the statement only in the context of Walker's claim that the equitable defense of misuse was necessarily convertible, without

more, into an affirmative action under the antitrust laws. The Court of Appeals, in the context of the argument, and based on a careful reading of its opinion, meant nothing more than to say that the equitable defense of fraud in the procurement is not necessarily, as such, the basis of an affirmative cause of action.

Although the Court of Appeals referred to the doctrine that only the United States may sue to annul or cancel a patent for fraud [*Mowry* v. *Whitney*, 14 Wall. (81 U.S.) 434] its decision was not placed on that basis since it cited cases going both ways on the right of infringers to raise fraudulent procurement as a defense.

The distinction for which the United States seeks to use *Becher* v. *Contoure Laboratories, Inc.*, 279 U.S. 388 (U.S. Br. 9), is unavailing since in that case the Court made it perfectly clear (p. 391) that to sustain plaintiff's claim was not to invalidate the patent but merely to get an assignment of it.

The sufficiency of the *Mowry* v. *Whitney* approach is not, however, the real issue before the Court. The only issue is whether the Court of Appeals correctly affirmed the District Court in holding that procurement of a patent by alleged fraud on the Patent Office and subsequent maintenance of such patent is not the equivalent of unlawful monopolization under Section 2 of the Sherman Act. To hold otherwise, as the Court of Appeals recognized in noting that Walker offered no support of its claim "besides offering an analogy to the cases involving patent misuse" (R. 82), would be to create a new category of *per se* antitrust violation called "fraudulent procurement and maintenance of a patent."

Shawkee Mfg. Co. v. *Hartford-Empire Company*, 322 U.S. 271, and the subsequent *Hartford-Empire* litigation relied on by Walker (Br. 8-10) is inapposite since the foundation of subsequent damage claims was the wrongful procurement of a judgment, not fraud on the Patent Office.

In the context of the foregoing, the contention of the United States (U.S. Br. 11) that "[t]he ruling of the court below is the first, to our knowledge, denying a party the opportunity to establish a claim under a federal statute merely because he proposed to prove that the defendant committed a fraud on the Patent Office" is misleading. The Court of Appeals' observation that "Walker admits that its antitrust theory depends on its ability to prove fraud on the Patent Office" (R. 82) indicates that the Court thereby appreciated that Walker's theory was dependent on establishing fraud on the Patent Office as the exclusive basis of its right to recover. The Court properly held that it could not recover on that exclusive basis.

IV. WALKER IS NOT ENTITLED TO ATTORNEYS' FEES.

The District Court observed, "[w]e do not have admitted or adjudicated fraud vitiating the validity of the patent." (R. 66). The Court of Appeals observed that "[t]he District Court analyzed Walker's case and the applicable law when ruling on Walker's motion for fees. This analysis obviates the idea of arbitrariness." (R. 82)

FMC submits that no further review of the question of attorneys' fees is warranted.

CONCLUSION.

For the foregoing reasons it is respectfully suggested that the writ of certiorari should be dismissed as improvidently granted or the decision of the Court of Appeals should be affirmed.

Respectfully submitted,

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IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1964.

No. [redacted] 13

WALKER PROCESS EQUIPMENT, INC.,
Petitioner,

vs.

FOOD MACHINERY AND CHEMICAL CORPORATION,
Respondent.

REPLY BRIEF OF PETITIONER.

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INDEX.

Citations.

IN THE

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No. 602.

WALKER PROCESS EQUIPMENT, INC.,
Petitioner,

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FOOD MACHINERY AND CHEMICAL CORPORATION,
Respondent.

REPLY BRIEF OF PETITIONER.

ARGUMENT.

The brief of respondent, FMC, is remarkable in that no where does it mention or discuss, or attempt to defend, the basis upon which the District Court and the Court of Appeals dismissed petitioner's counterclaim. The basis was that any fraud committed by FMC in obtaining its patent was ground for cancellation by the Government, and therefore "fraud on the Patent Office may not be turned to use in an original affirmative action" even by a damaged private litigant. Respondent obviously recognizes that this basis, which it urged and managed to have the courts below adopt, is completely erroneous. While respondent's silence

on this point is interesting, its attempt to base its argument on issues not available to it is untenable.

Respondent now attempts to raise the following points not available to it, namely: that (1) there is no pleading or proof of "relevant market", and (2) even though FMC's motion to dismiss necessarily admits that the patent had been obtained by fraud, FMC really did not mean it.

RELEVANT MARKET.

With regard to point (1), the question of "relevant market" is obviously one which should not be considered by this court at this time because no lower court found any necessity of pleading the "relevant market" nor ruled on the extent of the pleading if that be required. We may merely point out at this time that if "relevant market" has any bearing, and if specific pleadings are required concerning it, this is a matter of form and not of substance. Paragraph 15 of the second amended counterclaim (R. p. 60) pleads monopolization. So does paragraph 20. Furthermore, it appears from the pleadings in the first amended counterclaim that defendant-petitioner was the only substantial competitor of plaintiff-respondent as to the diffusion assemblies. (R. p. 76.)

While the "relevant market" allegation appears not to have been spelled out in the second counterclaim, its absence was not made the basis of any ruling of the lower courts and could readily have been supplied if the point had been raised.

We may also add that the concept of "relevant market", aside from the lengthy dissertation by FMC, has never been an element of actions based upon illegal monopolization through the use of a patent. While the respondent, FMC, speaks glibly of per se violations of the antitrust laws, and even refers again and again to *White Motor*

Company v. *U. S.*, 372 U. S. 253, FMC overlooks the fact that that case itself pointed out at p. 259 that tying sales of the patented article is a per se violation since it is a "bald effort to enlarge the monopoly of the patent beyond its terms." This language does not say that every tying arrangement is a per se violation, but attributes the violation to an attempt to extend the monopoly of a patent beyond its terms. It is the extension of the monopoly which is precisely what FMC attempted to and did do here.

Similarly, in *U. S.* v. *Loew's, Inc.*, 371 U. S. 38 at page 45, the court said "the requisite economic power is presumed when the tying product is patented or copyrighted * * *." Further, the court said at page 46:

> "Since one of the objectives of the patent laws is to reward uniqueness, the principle of these cases was carried over into antitrust law on the theory that *the existence of a valid patent on the tying product,* without more, establishes a distinctiveness sufficient to conclude that any tying arrangement involving the patented product would have anti-competitive consequences."

The present case is not precisely a tying situation. It is, however, precisely the equivalent since FMC used a patent fraudulently obtained by it to obtain sales and to deprive petitioner of sales which petitioner would have secured but for the use of the invalid patent.

THE ISSUE OF FRAUD IS NOT INVOLVED IN THIS HEARING.

With regard to point (2), respondent tries to argue whether the evidence adduced proved the fraud or not. That may or may not be an issue when the case goes back but it was not an issue in the Court of Appeals. It is not an issue here except on the matter of attorneys' fees, and then only in connection with the designation of this action as an "exceptional case." FMC does not argue the point in connection with that aspect of the petition.

CONCLUSION.

Accordingly, the judgment of the Court of Appeals, affirming the judgment dismissing the second amended counterclaim, and the order denying Walker attorney fees, should be reversed.

Respectfully submitted,

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SUPREME COURT OF THE UNITED STATES

No. 13.—October Term, 1965.

Walker Process Equipment, Inc., Petitioner, *v.* Food Machinery and Chemical Corporation.	On Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit.

[December 6, 1965.]

Mr. Justice Clark delivered the opinion of the Court.

The question before us is whether the maintenance and enforcement of a patent obtained by fraud on the Patent Office may be the basis of an action under § 2 of the Sherman Act,[1] and therefore subject to a treble damage claim by an injured party under § 4 of the Clayton Act.[2] The respondent, Food Machinery, filed this suit for infringement of its patent No. 2,328,655 covering knee action swing diffusers used in aeration equipment for sewage treatment systems.[3] Petitioner Walker denied the in-

[1] 26 Stat. 209, 15 U. S. C. § 2 (1964 ed.):

"Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor . . . ."

[2] 38 Stat. 731, 15 U. S. C. § 15 (1964 ed.):

"Any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee."

[3] The patent in question was issued in the name of the inventor, Lannert. But he had previously assigned the patent rights to his employer, Chicago Pump Company, a division of Food Machinery Corporation.

fringement and counterclaimed for a declaratory judgment that the patent was invalid. After discovery, Food Machinery moved to dismiss its complaint with prejudice because the patent had expired. Walker then amended its counterclaim to charge that Food Machinery had "illegally monopolized interstate and foreign commerce by fraudulently and in bad faith obtaining and maintaining . . . its patent . . . well knowing that it had no basis for . . . a patent." It alleged fraud on the basis that Food Machinery had sworn before the Patent Office that it neither knew nor believed that its invention had been in public use in the United States for more than one year prior to filing its patent application when, in fact, Food Machinery was a party to prior use within such time. The counterclaim further asserted that the existence of the patent had deprived Walker of business that it would have otherwise enjoyed. Walker prayed that Food Machinery's conduct be declared a violation of the antitrust laws and sought recovery of treble damages.

The District Court granted Food Machinery's motion and dismissed its infringement complaint along with Walker's amended counterclaim, without leave to amend and with prejudice. The Court of Appeals for the Seventh Circuit affirmed, 335 F. 2d 315. We granted certiorari, 379 U. S. 957. We have concluded that the enforcement of a patent procured by fraud on the Patent Office may be violative of § 2 of the Sherman Act provided the other elements necessary to a § 2 case are present. In such event the treble damage provisions of § 4 of the Clayton Act would be available to an injured party.

I.

As the case reaches us, the allegations of the counterclaim, as to the fraud practiced upon the Government by Food Machinery as well as the resulting damage suffered

by Walker, are taken as true.[4] We, therefore, move immediately to a consideration of the legal issues presented.

Both Walker and the United States, which appeared as *amicus curiae*, argue that if Food Machinery obtained its patent by fraud and thereafter used the patent to exclude Walker from the market through "threats of suit" and prosecution of this infringement suit, such proof would establish a prima facie violation of § 2 of the Sherman Act. On the other hand, Food Machinery says that a patent monopoly and a Sherman Act monopolization cannot be equated; the removal of the protection of a patent grant because of fraudulent procurement does not automatically result in a § 2 offense. Both lower courts seem to have concluded that proof of fraudulent procurement may be used to bar recovery for infringement, *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Machinery Co.*, 324 U. S. 806 (1945), but not to establish invalidity. As the Court of Appeals expressed the proposition, "only the government may 'annul or set aside' a patent," citing *Mowry* v. *Whitney*, 81 U. S. 434 (1871). It went on to state that no case had "decided, or hinted, that fraud on the Patent Office may be turned to use in an affirmative action, instead of an equitable defense . . . . Since Walker admits that its antitrust theory depends on its ability to prove fraud on the Patent Office, it follows that Walker's second amended counterclaim failed to state a claim upon which relief could be granted."

II.

We have concluded, first, that Walker's action is not barred by the rule that only the United States may sue to cancel or annul a patent. It is true that there is no

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[4] See, *e. g.*, *United States* v. *New Wrinkle, Inc.*, 342 U. S. 371, 376 (1952).

statutory authority for a private annulment suit and the invocation of the equitable powers of the court might often subject a patentee "to innumerable vexatious suits to set aside his patent." *Mowry, supra,* at 441. But neither reason applies here. Walker counterclaimed under the Clayton Act, not the patent laws. While one of its elements is the fraudulent procurement of a patent, the action does not directly seek the patent's annulment. The gist of Walker's claim is that since Food Machinery obtained its patent by fraud it cannot enjoy the limited exception to the prohibitions of § 2 of the Sherman Act, but must answer under that section and § 4 of the Clayton Act in treble damages to those injured by any monopolistic action taken under the fraudulent patent claim. Nor can the interest in protecting patentees from "innumerable vexatious suits" be used to frustrate the assertion of rights conferred by the antitrust laws. It must be remembered that we deal only with a special class of patents, *i. e.,* those procured by intentional fraud.

Under the decisions of this Court a person sued for infringement may challenge the validity of the patent on various grounds, including fraudulent procurement. *E. g., Precision Instrument Mfg. Co.* v. *Automotive Maintenance Machinery Co.,* 324 U. S. 806 (1945); *Hazel-Atlas Co.* v. *Hartford Empire Co.,* 322 U. S. 238 (1944); *Keystone Drilling Co.* v. *General Excavator Co.,* 290 U. S. 240 (1933). In fact, one need not await the filing of a threatened suit by the patentee; the validity of the patent may be tested under the Declaratory Judgment Act, 28 U. S. C. § 2201 (1964 ed.). See *Kerotest Mfg. Co.* v. *C-O Two Fire Equipment Co.,* 342 U. S. 180, 185 (1951). At the same time, we have recognized that an injured party may attack the misuse of patent rights. See, *e. g., Mercoid Co.* v. *Mid-Continent Investment Co.,* 320 U. S. 661 (1944). To permit recovery of treble damages for the fraudulent procurement of the patent

coupled with violations of § 2 accords with these long-recognized procedures. It would also promote the purposes so well expressed in *Precision Instruments, supra,* at 816.

> "A patent by its very nature is affected with a public interest. . . . [I]t is an exception to the general rule against monopolies and to the right to access to a free and open market. The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope."

III.

Walker's counterclaim alleged that Food Machinery obtained the patent by knowingly and willfully misrepresenting facts to the Patent Office Proof of this assertion would be sufficient to strip Food Machinery of its exemption from the antitrust laws.[5] By the same token, Food Machinery's good faith would furnish a complete defense. This includes an honest mistake as to the effect of prior installation upon patentability—so-called "technical fraud."

To establish monopolization or attempt to monopolize a part of trade or commerce under § 2 of the Sherman Act, it would then be necessary to appraise the exclusionary power of the illegal patent claim in terms of the relevant market for the product involved. Without a definition of that market there is no way to measure Food Machinery's ability to lessen or destroy competition. It may be that the device—knee action swing dif-

[5] This conclusion applies with equal force to an assignee who maintains and enforces the patent with knowledge of the patent's infirmity.

fusers—used in sewage treatment systems does not comprise a relevant market. There may be effective substitutes for the device which do not infringe the patent. This is a matter of proof, as is the amount of damages suffered by Walker.

As respondent points out, Walker has not clearly articulated his claim. It appears to be based on a concept of *per se* illegality under § 2 of the Sherman Act. But in these circumstances, the issue is premature. As the Court summarized in *White Motor Co.* v. *United States,* 372 U. S. 253 (1963), the area of *per se* illegality is carefully limited. We are reluctant to extend it on the bare pleadings and absent examination of market effect and economic consequences.

However, even though the *per se* claim fails at this stage of litigation, we believe that the case should be remanded for Walker to clarify the asserted violations of § 2 and to offer proof thereon. The trial court dismissed its suit not because Walker failed to allege the relevant market, the dominance of the patented device therein, and the injurious consequences to Walker of the patent's enforcement, but rather on the ground that the United States alone may "annul or set aside" a patent for fraud in procurement. The trial court has not analyzed any economic data. Indeed, no such proof has yet been offered because of the disposition below. In view of these considerations, as well as the novelty of the claim asserted and the paucity of guidelines available in the decided cases, this deficiency cannot be deemed crucial. Fairness requires that on remand Walker have the opportunity to make its § 2 claims more specific, to prove the alleged fraud, and to establish the necessary elements of the asserted § 2 violation.

Reversed and remanded.

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Mr. Justice Harlan, concurring.

I join the Court's opinion. I deem it appropriate, however, to add a few comments to what my Brother Clark has written because the issue decided is one of first impression and to allay possible misapprehension as to the possible reach of this decision.

We hold today that a treble-damage action for monopolization which, but for the existence of a patent, would be violative of § 2 of the Sherman Act may be maintained under § 4 of the Clayton Act if two conditions are satisfied: (1) the relevant patent is shown to have been procured by knowing and willful fraud practiced by the defendant on the Patent Office or, if the defendant was not the original patent applicant, that he had been enforcing the patent with knowledge of the fraudulent manner in which it was obtained; and (2) all the elements otherwise necessary to establish a § 2 monopolization charge are proved. Conversely, such a private cause of action would *not* be made out if the plaintiff: (1) showed no more than invalidity of the patent arising, for example, from a judicial finding of "obviousness," or from other factors sometimes compendiously referred to as "technical fraud"; or (2) showed fraudulent procurement, but no knowledge thereof by the defendant; or (3) failed to prove the elements of a § 2 charge even

though he has established actual fraud in the procurement of the patent and the defendant's knowledge of that fraud.

It is well also to recognize the rationale underlying this decision, aimed of course at achieving a suitable accommodation in this area between the differing policies of the patent and antitrust laws. To hold, as we do, that private suits may be instituted under § 4 of the Clayton Act to recover damages for Sherman Act monopolization knowingly practiced under the guise of a patent procured by deliberate fraud, cannot well be thought to impinge upon the policy of the patent laws to encourage inventions and their disclosure. Hence, as to this class of improper patent monopolies, antitrust remedies should be allowed room for full play. On the other hand, to hold, as we do not, that private antitrust suits might also reach monopolies practiced under patents that for one reason or another may turn out to be voidable under one or more of the numerous technicalities attending the issuance of a patent, might well chill the disclosure of inventions through the obtaining of a patent because of fear of the vexations or punitive consequences of treble-damage suits. Hence, this private antitrust remedy should not be deemed available to reach § 2 monopolies carried on under a nonfraudulently procured patent.

These contrasting factors at once serve to justify our present holding and to mark the limits of its application.